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LEGISLATIVE HISTORY

Public Law 472--80th Congress

Chapter 169--2d Session

S. 2202

Volume 1

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DIGEST OF PUBLIC LAW 472

ECONOMIC COOPERATION ACT OF 1948. Title I, provides for aid to Europe. Creates an Economic Cooperation Administration, to be headed by an Administrator for Economic Cooperation, to be appointed by the President and confirmed by the Senate, receive \$20,000, report to the President with requirements for cooperation between him and the Secretary of State, and have Cabinet status. Authorizes the Administrator, with Presidential approval, to create a corporation to carry out the program. Provides for a Public Advisory Board, with the Administrator as Chairman, to advise in carrying out the program. Provides for a U. S. Special Representative in Europe to work with cooperating countries, etc., and a special mission for each participating country. Gives the Administrator rather wide powers in carrying out the program.

Authorizes the Administrator to provide for procurement of commodities and service, and to utilize the services and facilities of Government departments and agencies as the President directs. Permits loans through Export-Import Bank within a total of \$1,000,000,000. Requires the Administrator to provide for procurement in the U. S. in such a way as to minimize effect on the domestic economy and needs. Requires that at least 25% of the wheat grants shall be in the form of flour.

Provides, in general, that surplus agricultural commodities for the program be purchased in the U. S. and that each class or type of such surplus be purchased in the approximate proportion that they bear to the total amount of surplus. Requires that surplus agricultural commodities be used to the maximum extent practicable and that CCC shall receive cost but in no event more than market price. Permits USDA to pay not over 50% of the price of surplus agricultural commodities from Sec. 32 funds, and cancels the 1947 rescission of such funds.

Strengthens the export-control authority regarding non-participating countries. Requires use of private trade channels to the maximum extent. Requires reimbursement by ECA to owning agencies for commodities and services used, provides that these may be procured only with the consent of the owning agencies, and provides that reimbursement shall be credited to such agencies' funds.

Directs advance of \$1,000,000,000 from RFC pending appropriations. Authorizes appropriation of \$4,300,000,000 (in addition to \$1,000,000,000 for Export-Import Bank) for the first year, and states that additional funds shall be available through June 1952 to the extent authorized and appropriated.

Provides for bilateral and multilateral agreements with participating nations in carrying out the program. Requires the President to encourage assistance by all Western Hemisphere countries. Establishes a Joint Committee on Foreign Economic Cooperation to watch the program.

Title II, INTERNATIONAL CHILDREN'S EMERGENCY FUND ASSISTANCE ACT OF 1948, authorizes appropriation of \$60,000,000 additional, to be spent for this Fund, under certain circumstances.

Title III, GREEK-TURKISH-CHINESE ASSISTANCE ACT OF 1948, authorizes appropriation of \$275,000,000 additional for aid to Greece and Turkey.

Title IV, CHINA AID ACT OF 1948, authorizes appropriation of \$125,000,000 for military aid and \$338,000,000 for economic aid.

INDEX AND SUMMARY OF HISTORY ON S. 2202

July 15, 1947 H. Res. 296 was submitted by Rep. Herter and was referred to the House Committee on Rules. Print of the measure as introduced.

July 18, 1947 House Committee reported H. Res. 296 with an amendment. House Report 998. Print of the measure as reported.

July 22, 1947 Resolution agreed to. Creates a select committee to study foreign aid.

September 21, 1947 Report of the Committee of European Economic Cooperation. Paris Conference. Vol. I. State Dept. Pub. 2930. Vol. II. State Dept. Pub. 2952.

November 25, 1947 Preliminary reports of the House Select Committee on Foreign Aid, pursuant to H. Res. 296. House Reports 1141 - 1151. Known as Herter Reports.

H. R. 4579 was introduced by Rep. Herter and was referred to the House Committee on Foreign Affairs. Print of the bill as introduced. (Similar bill).

December 17, 1947 Hearings: House, H. R. 4840, Pt. 1.

January 6, 1948 H. R. 4840 was introduced by Rep. Eaton and was referred to the House Committee on Foreign Affairs. Print of the bill as introduced. (Similar bill).

January 8, 1948 Hearings: Senate, S. 2202, Pt. 1.

January 16, 1948 Hearings: Senate, S. 2202, Pt. 2.

January 29, 1948 Hearings: Senate, S. 2202, Pt. 3.

February 17, 1948 Hearings: House, H. R. 4840, Pt. 2.

February 20, 1948 S. J. Res. 187 was introduced by Senator Aiken and was referred to the Senate Committee on Agriculture and Forestry. Print of the bill as introduced. (Later became Sec. 112 (f) of S. 2202).

February 23, 1948 S. 2202 was introduced by Senator Vandenberg and was referred to the Senate Committee on Foreign Relations. Print of the bill as introduced.

February 26, 1948 S. 2202 was reported without amendment. Senate Report 935. Print of the bill as reported.

March 1, 1948 Senate debate began on S. 2202.

Amendment to S. 2202 proposed by Senator Fulbright. Print of the amendment.

March 2, 1948 Senate debate on S. 2202 continued.

 Remarks of Reps. Gwinn and Holifield.

 Amendments proposed by Senators Young, McMahon, and Knowland. Prints of the amendments.

March 3, 1948 Senate debate continued.

 Amendments proposed by Senators Knowland, Ball, and Brewster. Prints of the amendments.

March 4, 1948 Senate debate continued.

 Amendments proposed by Senators Reed and Knowland. Prints of the amendments.

 S. J. Res. 187 was reported without amendment. Senate Report 966. Print of the Resolution as reported.

 Preliminary reports of the House Select Committee on Foreign Aid, pursuant to H. Res. 296. House Reports 1500 - 1505. Known as Herter Reports.

March 5, 1948 Amendments to S. 2202 proposed by Senators George, Brooks, and Brewster. Prints of the amendments.

March 8, 1948 Senate debate on S. 2202 continued. S. J. Res. 187 discussed and passed over.

 Remarks of Reps. Kersten, Cox, Jarman, and Rich.

 Amendments proposed by Senators Taylor, Thye, and Brooks. Prints of the amendments.

March 9, 1948 Senate debate continued.

 Amendments proposed by Senators Capehart and Magnuson. Prints of the amendments.

March 10, 1948 Senate debate continued.

 Remarks of Rep. Jarman.

 Amendment proposed by Senator Cooper.

March 11, 1948 Senate debate continued.

 Remarks of Rep. Reed.

 Amendments proposed by Senator Taft. Prints of the amendments.

March 12, 1948 Senate debate continued.

 Amendments proposed by Senators Aiken and Pepper. Prints of the amendments.

March 13, 1948 Senate debate concluded. S. 2202 passed the Senate with amendments.

Remarks of Senator Thomas.

March 15, 1948 S. 2202 was referred to the House Committee on Foreign Affairs. Print of the bill as referred.

S. J. Res. 187 was indefinitely postponed. (The substance of the Resolution was incorporated in S. 2202).

March 16, 1948 S. 2331 was introduced by Senator Smith and was referred to the Senate Committee on Foreign Relations. Print of the bill as introduced. (later became Title II of S. 2202).

March 20, 1948 House Committee reported S. 2202 with amendments. House Report 1585. Print of the bill as reported.

March 22, 1948 House Rules Committee reported H. Res. 505 for the consideration of S. 2202. House Report 1587.

Remarks of Reps. Vursell, and Gwinn.

Senator Vandenberg reported S. 2358. Senate Report 1017. Print of the bill as reported. (later became Title III of S. 2202).

March 23, 1948 S. 2358 was debated in the Senate and passed as reported.

House began debate on S. 2202.

March 24, 1948 House debate on S. 2202 continued.

S. 2358 was referred to the House Committee on Foreign Affairs. Print of the bill as referred.

March 25, 1948 House debate on S. 2202 continued.

S. 2393 was reported by Senator Vandenberg. Senate Report 1026. Amendment to S. 2393 proposed by Senator Bridges. Print of the amendment. (later became Title IV of S. 2202).

Remarks of Rep. Judd.

March 29, 1948 House debate on S. 2202 continued.

Permission was granted to submit revised report on S. 2393.

Extension of remarks of Reps. Anderson, Latham, and Vursell.

March 30, 1948 House debate on S. 2202 continued.
S. 2393 was discussed and passed the Senate with^{out}/amendments.
Remarks of Reps. Rizley, Knutson, and Shafer.

March 31, 1948 House debate on S. 2202 concluded. Passed House with amendments.
House Conferees appointed.
Remarks of Reps. Crawford, Tollefson, Crawford, Tsacson, and Redden.

April 1, 1948 Senate Conferees appointed.
House received the Conference Report. House Report 1655.
Remarks of Reps. Kersten and Devitt.

April 2, 1948 Both Houses agreed to the Conference Report.
Remarks of Reps. Hard, Lemke, Kearns, and Phillips.

April 3, 1948 Approved. Public Law 472.
Statement by the President on signing S. 2202.
Statement by Secretary Marshall.

April 30, 1948 Report of the House Select Committee on Foreign Aid.
European Trade Patterns, estimated net import requirements of Western Europe in 1948. (unnumbered) Pursuant to H. Res. 296.

May 1, 1948 Final Report on Foreign Aid of the House Select Committee on Foreign Aid. House Report 1845.

80TH CONGRESS
1ST SESSION

H. RES. 296

IN THE HOUSE OF REPRESENTATIVES

JULY 15, 1947

Mr. HERTER submitted the following resolution; which was referred to the
Committee on Rules

RESOLUTION

Whereas the importance and complexity of aid required by foreign nations and peoples from the resources of the United States is assuming increasing proportions; and

Whereas such aid directly affects every segment of the domestic economy of the United States; and

Whereas the problems relating to such aid are of a nature to lie within the jurisdiction of a number of the standing committees of the Congress; and

Whereas these problems should, in order to safeguard the resources and economy of the United States, be given the most careful consideration in relation to each other; and

Whereas an integrated and coordinated study should be most valuable to the standing committees of the Congress: Therefore be it

1 *Resolved*, That there is hereby created a select committee
2 on foreign aid composed of nineteen Members of the House
3 of Representatives, who shall be appointed by the Speaker.
4 The Speaker shall designate one of the members of the select
5 committee as chairman. Any vacancy occurring in the mem-
6 bership of the select committee shall be filled in the manner
7 in which the original appointment was made.

8 The committee is authorized and directed to make a
9 study of (1) actual and prospective needs of foreign nations
10 and peoples, including those within United States military
11 zones, both for relief in terms of food, clothing, and so forth,
12 and of economic rehabilitation; (2) resources and facilities
13 available to meet such needs within and without the con-
14 tinental United States; (3) existing or contemplated agencies,
15 whether private, public, domestic, or internaional, qualified
16 to deal with such needs; (4) any or all measures which
17 might assist in assessing relative needs and in correlating
18 such assistance as the United States can properly make
19 without weakening its domestic economy.

20 The committee shall report to the House (or to the
21 Clerk of the House if the House is not in session) from
22 time to time as it shall deem appropriate, but finally not later
23 than March 1, 1948.

24 For the purposes of this resolution the committee, or
25 any subcommittee thereof, is authorized to sit and act during

1 the present Congress at such times and places, either within
2 or without the continental limits of the United States,
3 whether or not the House is sitting, has recessed, or has
4 adjourned, to employ such personnel, to borrow from Gov-
5 ernment departments and agencies such special assistants, to
6 hold such hearings, and to take such testimony, as it deems
7 necessary.

80TH CONGRESS
1ST Session

H. RES. 296

RESOLUTION

To create a Select Committee on Foreign Aid.

By Mr. HERTER

JULY 15, 1947

Referred to the Committee on Rules



CREATING A SELECT COMMITTEE ON FOREIGN AID

JULY 18, 1947.—Referred to the House Calendar and ordered to be printed

Mr. ALLEN of Illinois, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 296]

The Committee on Rules, having had under consideration House Resolution 296, report the same to the House with an amendment with the recommendation that the resolution as amended do pass.

The amendment is as follows:

Page 3, line 4, after the word "adjourned", strike out the words "to employ such personnel, to borrow from Government departments and agencies such special assistants,".

○

House Calendar No. 141

80TH CONGRESS
1ST SESSION

H. RES. 296

[Report No. 998]

IN THE HOUSE OF REPRESENTATIVES

JULY 15, 1947

Mr. HERTER submitted the following resolution: which was referred to the Committee on Rules

JULY 18, 1947

Reported with an amendment, referred to the House Calendar, and ordered to be printed

[Omit the part struck through]

RESOLUTION

Whereas the importance and complexity of aid required by foreign nations and peoples from the resources of the United States is assuming increasing proportions; and

Whereas such aid directly affects every segment of the domestic economy of the United States; and

Whereas the problems relating to such aid are of a nature to lie within the jurisdiction of a number of the standing committees of the Congress; and

Whereas these problems should, in order to safeguard the resources and economy of the United States, be given the most careful consideration in relation to each other; and

Whereas an integrated and coordinated study should be most

80TH CONGRESS
1ST SESSION

H. RES. 296

[Report No. 398]

RESOLUTION

To create a Select Committee on Foreign Aid.

By Mr. HERTER

JULY 15, 1947

Referred to the Committee on Rules

JULY 18, 1947

Reported with an amendment, referred to the House
Calendar, and ordered to be printed

80TH CONGRESS
1ST SESSION

H. RES. 296

IN THE HOUSE OF REPRESENTATIVES

JULY 15, 1947

Mr. HERTER submitted the following resolution; which was referred to the Committee on Rules

JULY 18, 1947

Reported with an amendment, referred to the House Calendar, and ordered to be printed

[Omit the part struck through]

JULY 22, 1947

Considered, amended, and agreed to

RESOLUTION

Whereas the importance and complexity of aid required by foreign nations and peoples from the resources of the United States is assuming increasing proportions; and

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7 in which the original appointment was made.

8 The committee is authorized and directed to make a
9 study of (1) actual and prospective needs of foreign nations
10 and peoples, including those within United States military
11 zones, both for relief in terms of food, clothing, and so forth,
12 and of economic rehabilitation; (2) resources and facilities
13 available to meet such needs within and without the con-
14 tinental United States; (3) existing or contemplated agencies,
15 whether private, public, domestic, or international, qualified
16 to deal with such needs; (4) any or all measures which
17 might assist in assessing relative needs and in correlating
18 such assistance as the United States can properly make
19 without weakening its domestic economy.

20 The committee shall report to the House (or to the
21 Clerk of the House if the House is not in session) from
22 time to time as it shall deem appropriate, but finally not later
23 than March 1, 1948.

24 For the purposes of this resolution the committee, or
25 any subcommittee thereof, is authorized to sit and act during

1 the present Congress at such times and places, either within
2 or without the continental limits of the United States,
3 whether or not the House is sitting, has recessed, or has
4 adjourned, to hold such hearings, and to take such testimony,
5 as it deems necessary.

RESOLUTION

To create a Select Committee on Foreign Aid.

By Mr. HERRER

JULY 15, 1947

Referred to the Committee on Rules

JULY 18, 1947

Reported with an amendment, referred to the House
Calendar, and ordered to be printed

JULY 22, 1947

Considered, amended, and agreed to

PROPOSED PRINCIPLES AND ORGANIZATION
FOR ANY PROGRAM OF FOREIGN AID

PRELIMINARY REPORT EIGHT
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1947

SELECT COMMITTEE ON FOREIGN AID

CHARLES A. EATON, New Jersey, *Chairman*

CHRISTIAN A. HERTER, Massachusetts, *Vice Chairman*

THOMAS A. JENKINS, Ohio

CHARLES A. WOLVERTON, New Jersey

AUGUST H. ANDRESEN, Minnesota

FRANCIS CASE, South Dakota

JOHN C. KUNKEL, Pennsylvania

JOHN M. VORYS, Ohio

CHARLES W. VURSELL, Illinois

W. KINGSLAND MACY, New York

RICHARD M. NIXON, California

E. E. COX, Georgia

JAMES P. RICHARDS, South Carolina

FRANCIS E. WALTER, Pennsylvania

HAROLD D. COOLEY, North Carolina

GEORGE H. MAHON, Texas

OVERTON BROOKS, Louisiana

EUGENE J. KEOGH, New York

A. S. MIKE MONRONEY, Oklahoma

W. Y. ELLIOTT, *Staff Director*

WINFIELD W. RIEFLER, *Staff Consultant*

THEODORE GEIGER, *Staff Consultant*

ALLEN W. DULLES, *Legal Consultant*

GERALD D. MORGAN, *Legal Consultant*

80TH CONGRESS <i>1st Session</i>	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 1141
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PROPOSED PRINCIPLES AND ORGANIZATION FOR ANY
PROGRAM OF FOREIGN AID

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT EIGHT

PROPOSED PRINCIPLES AND ORGANIZATION FOR ANY PROGRAM OF FOREIGN AID

The Select Committee on Foreign Aid was established by the House of Representatives of the United States on July 22, 1947, pursuant to House Resolution 296, Eightieth Congress, introduced by Representative Christian A. Herter, of Massachusetts. The select committee was established in recognition of the fact that the problems involved in American aid to European countries have important bearings on the whole economy of the United States, and the study of these problems did not fall within the functions of any single standing committee of the House. Accordingly, the members of the select committee were drawn from all the important House committees which have to deal with questions of foreign aid.

The resolution creating the select committee authorized it to make a study of—

(1) actual and prospective needs of foreign nations and peoples, including those within United States military zones, both for relief in terms of food, clothing, and so forth, and of economic rehabilitation; (2) resources and facilities available to meet such needs within and without the continental United States; (3) existing or contemplated agencies, whether private, public, domestic, or international, qualified to deal with such needs; (4) any or all measures which might assist in assessing relative needs and in correlating such assistance as the United States can properly make without weakening its domestic economy.

Mr. Herter was appointed as vice chairman, by Chairman Eaton, to arrange the study on the ground of the European needs and programs for aid. Members of the select committee were divided, for purposes of more thorough study and coverage, into five subcommittees: a Subcommittee on Great Britain, whose chairman was Mr. Kunkel; a Subcommittee on Austria and Germany—chairman, Mr. Case; a Subcommittee on France and the Low Countries—chairman, Mr. Wolverton; a Subcommittee on Italy, Greece, and Trieste—chairman, Mr. Jenkins; and a Subcommittee on Agriculture (covering most of Europe)—chairman, Mr. Andresen. Committee members visited the countries indicated in the subcommittee titles. In addition, various members of the committee visited Denmark, Norway, Sweden, Finland, Switzerland, Poland, Czechoslovakia, and Turkey. The select committee interviewed government officials, and political, business, labor, and peasant leaders. It visited workers' and farmers' homes; made trips through shops, market places, and factories; and was given every opportunity for unrestricted observation and study in all of the free countries visited. The select committee accumulated a mass of data which it is now analyzing and evaluating and which will be published from time to time.

This document is in the nature of a preliminary report on two aspects of the foreign-aid program: (1) The proposed principles which should govern the use of funds appropriated by the Congress for any foreign-aid program; and (2) recommendations regarding the type of government organization which should administer any foreign-aid program.

I. DETERMINATION OF PRESENT AND PROSPECTIVE NEEDS FOR FOREIGN AID

The House of Representatives authorized the committee to determine, as far as possible, both the present and prospective requirements of all foreign countries for aid. Its terms of reference were, therefore, not limited to the 16 countries of western Europe which met at the Paris Conference. The committee's conclusions will be based also upon studies of Latin-American, Far Eastern, and, indeed, all United States export areas, as these require materials from the United States which have been financed by dollar advances or credits, either public or private.

The main area of study of the committee itself was centered in Europe because of the pressing character of its problem. Other Members of the House, including groups from the Committee on Foreign Affairs and the Committee on Armed Services, were enlisted in assessing, as far as possible, the needs of the Middle East and the Far East, and attention was given to the requirements for exports from the United States to all other areas.

II. EMERGENCY AID TO CERTAIN COUNTRIES AS RELATED TO GENERAL FOREIGN-AID PROGRAMS

The President has presented to the country as the most acute problem and as the one demanding the most immediate attention the so-called interim-aid program which deals with the rapidly dwindling resources of France, Italy, and Austria. This program is framed to finance the imports of essential items for these countries to March 31, 1948, apparently on the assumption that a longer-run program for foreign aid may be in effect by that time.

While this problem is one demanding immediate attention, it must be emphasized that it is merely a part of a larger problem, of only slightly lesser urgency, facing not only France, Italy, and Austria, but other foreign countries whose economies were devastated by the war. In varying degrees, all such countries require food; fuel, fertilizer, raw materials, and manufactured goods in order to help preserve their economies and to make possible a balance in their payments that will permit needed imports into such countries from all sources.

The solution of this general problem has raised the question of foreign-aid programs to be undertaken by the United States. Certain liberated countries of Europe have shown the road to recovery and have made remarkable progress in that direction. The committee noted among these Belgium, Denmark, Holland, Luxemburg, and Norway. On the other hand, the problem of recovery is particularly pressing in France and Italy. The committee has made available to the appropriate standing committees of the House and to the Congress generally its findings regarding the urgent requirements of these two countries. It has also prepared estimates as to the possible strain that those requirements will put upon United States' resources and the relation thereof to the total foreign-aid requirements.

The problem of the timing of aid for France and Italy now confronts the Congress for immediate attention as a matter of helping to preserve these economies. This committee also wishes to point out that constructive steps should be undertaken for fostering the

recovery of Germany on which the other countries of Europe largely depend. It was the opinion of officials in the surrounding countries, who were consulted by the committee, confirmed by the report of the 16-nation Conference in Paris, that German recovery is an essential step within Europe to permit their own recoveries. Subject to the proper controls for preventing the remilitarization of Germany, which are being or can be applied, Germany can make a key contribution to overcoming European shortages of manufactured items, coal, and steel. Detailed studies of the extent of this contribution and how it can lighten the load of the United States will be submitted by the committee in a separate report.

Should the Congress, through its responsible legislative committees, find that as a practical matter it will not be able to set in motion other machinery of foreign aid by the end of the special session, the committee recommends that action be taken prior to that time to authorize funds for the purchase of supplies through the Export-Import Bank and the Commodity Credit Corporation for any aid for France, Italy, and Austria found necessary to assist those countries through March 31.

III. BACKGROUND OF COMMITTEE'S RECOMMENDATIONS

A. PROPOSALS OF THE PARIS CONFERENCE

As a result of Secretary of State Marshall's proposals in his Harvard speech of June 5, the European nations had already begun making studies, through their 16-nation Conference in Paris, before the committee arrived in Europe. The results of those studies have been, in turn, transmitted to the Government of the United States and have been reviewed by the executive agencies. The objectives of the proposals outlined in Secretary Marshall's speech were understood by the European nations to require a plan for European recovery, as outlined in the report of the Paris Conference of the 16 nations, which would remove, by 1951, the need of "abnormal outside support," including further aid from the United States through extraordinary loans or grants. With that objective, the countries concerned submitted figures indicating that total requirements for dollar availabilities not covered by their own exports or other resources would amount to \$22,440,000,000 for the 4-year period. Of this, it was estimated that \$3,130,000,000 would be available from the Bank for International Reconstruction and Development, leaving a total balance of deficits of the European countries concerned with the American Continent of \$19,310,000,000.

B. ASSUMPTIONS OF THE PARIS CONFERENCE

The circumstances in which the European countries presented their "requirements," especially the absence of any central authority which could reduce them to a common basis or have them drawn up on common assumptions, necessarily render these estimates little more than efforts to arrive at the order of magnitude of the problem. The attempt was made to plan a productive capacity in Europe by 1951 that would, after that time, raise all consumption levels substantially higher than prewar. Since the calculations were necessarily in the

nature of guesses as to the probable levels of prices, size of harvests, rate of utilization of equipment, ability to use and transfer manpower, and other unknown factors, the committee cannot feel that the estimates constitute, in any sense, the basis for a long-term authorization of funds. Detailed studies of the long-term requirements, which are to be published subsequently, will reveal the possibility of many steps which could be taken, including the greater contribution of Germany to the total economic recovery of Europe, which, in the judgment of the committee, might reduce the magnitude of European requirements. It will, in any case, be necessary to set up an agency that can screen the European and other foreign requests for aid; and which can insist upon justification of the requests, upon common action to meet the needs, and upon the mobilization of the resources of other countries which are also asking for aid, in one form or another, from the United States.

C. THE ATTITUDE OF RUSSIA AS IT AFFECTS THE MARSHALL PROPOSALS

It should be noted that a major contributing factor to the problem of the 16 European nations of equal importance with the obvious destruction and dislocation caused by the war, is the inability of the countries of Western Europe to trade on normal terms with the countries under Soviet control.

Though the Secretary of State of the United States and the Foreign Ministers of the United Kingdom and France attempted to enlist the cooperation of the Soviet Union in the combined task of European recovery, the reply of Moscow was characteristically brusque. Not only did Russia refuse to participate in Europe's response to the proposals of Secretary Marshall, but Stalin's government openly countermanded the acceptance of invitations by several eastern European countries to participate in the Paris Conference, and successfully prevented all the satellite governments in the East from doing so. Furthermore, the Russian officials and the Communists in all countries have utilized every opportunity to attack as "imperialism" the proposals for continued aid from the United States to Europe, while at the same time satellite countries with relatively good crops and no drought sat on their supplies or were drained of them by Russia. The refusal to permit the participation in the Paris Conference of the countries of eastern Europe, whose economies have traditionally been tightly linked to the western European countries by the exchange of food and raw materials for finished products, has aggravated the difficulty of economic rehabilitation and reconstruction in both eastern and western Europe.

IV. PRINCIPLES AND ORGANIZATION THAT SHOULD GOVERN ANY FOREIGN-AID PROGRAM

An economically sound world is essential to the security and well-being of all nations. When the economies of countries break down, political conditions become unstable, free institutions are endangered, the rights of the individual tend to disappear, and the peace of the world is jeopardized.

Today the economies of certain countries of western Europe are gravely threatened. The slender remaining resources of these

countries will not carry them many months more without disastrous shortages of food, fuel, and certain raw materials, as well as of the capital goods required to stimulate recovery. These shortages are likely to have serious political and economic repercussions from which we cannot effectively insulate ourselves if we would.

The emergency, though aggravated this year by crop failure, is not a temporary one. This fact must be faced and, if remedial action is to be taken, plans must be formulated accordingly.

Two world wars and the rift between West and East in Europe have corroded the foundation on which the economy of Europe has been based. To rebuild this economy will require vigorous and well-concerted action by the European countries themselves.

This report is primarily addressed to western Europe, but the general principles enunciated are equally applicable to other countries which may later be found in need of aid. Germany and Japan, in view of their military occupation, present special problems which may require separate treatment.

A. BASIC ELEMENTS OF ANY PROGRAM

In order that the genuine needs of recipient countries may be filled and their economies restored as rapidly as possible in order that such needs can more and more be met through the normal channels of trade, commerce, and finance, without subjecting the economy of the United States to undue strain, the following points, in our opinion, must be taken into account in formulating and administering any program of aid:

1. The recipient countries should make vigorous efforts, individually and jointly, to increase the production of food and materials needed to meet not only their essential internal needs but the needs of other countries. Increased local production to assure decreasing deficits should be sought, so as to limit the requirements from abroad to a minimum consistent with a sound economic balance.

2. The recipient countries should, through mutual help and co-operation, facilitate the economic interchange of goods and services among themselves, provide effective distribution and use of their own resources, as well as of the resources received from outside, and work toward the elimination of exchange controls, quota restrictions, and other obstacles to trade. (The progress already made by Belgium, the Netherlands, and Luxembourg toward a customs union seems to the committee a step in the right direction.)

3. Certain countries other than the United States which are in a position to supplement a program of aid, which have the same incentive as we to do so and which enjoy access to United States supplies, should be expected to cooperate each in relation to its respective capacity.

4. Every encouragement should be given and every facility extended to private initiative to assume, as conditions permit, the emergency activities which have devolved on governments in the present crisis.

5. The recipient countries should adopt fiscal, financial, and monetary programs designed to arrest inflation, to correct existing monetary weaknesses, to accomplish stabilization of exchanges, and generally to restore confidence in their currencies.

6. The recipient countries should give full and continuous publicity regarding the purpose, source, character, and amounts of aid furnished

by the United States, where this aid is not on the basis of commercial loans or normal commercial transactions.

In order that any program of foreign aid from the United States may be efficiently administered, provision should be made for the effective coordination of existing government agencies participating in the program. Additional governmental machinery should be limited to that necessary to provide such coordination and to fill gaps of authority which may exist.

B. WESTERN EUROPE'S MOST URGENT NEEDS

The pressing needs of western Europe, as in most other countries, fall into three categories:

1. Foodstuffs, fuel, and fertilizers;
2. Commodities to be processed and certain types of specialized equipment;
3. Capital goods and equipment.

Foods, fuel, and fertilizer rank first both in urgency and in the dollar cost of acquisition. As stated by the Paris Conference of the 16 European countries, they constitute about 50 percent of the required imports from all dollar sources for the 4 years. Without the maintenance of an adequate food ration, there is no possibility of expanding production. Without increased coal to turn the wheels of industry, output will remain too low to provide any flow of exports to balance import requirements. Petroleum products are also vital to industrial activity. An increase in the available supply of fertilizer is essential, as otherwise the exhausted soil of western Europe will continue to produce smaller and smaller crops.

With adequate supplies of food, fuel, and fertilizer assured on a basis that does not upset the balance of payments, the committee feels that the remaining problems of European reconstruction become more manageable. It has therefore concentrated on this strategic area within the general problem of foreign needs for its particular recommendations which are set forth in subsection C below.

The second category of need comprises commodities to be processed, such as cotton, wool, and lumber, and certain metals. It also includes certain types of special equipment, such as agricultural machinery and mining equipment.

In creating the Export-Import Bank, Congress has provided an organization which is adequately staffed and technically competent to deal with financing the purchase and delivery of articles that fall within this second category. It is also well equipped to obtain the cooperation of private finance. It is unwise either to duplicate or to compete with the facilities of this agency. It should be strengthened and given the resources and necessary authority to do its full share in any foreign-aid program. It should also be permitted to accept, as security for loans, assets held by foreign governments in the United States or to guarantee loans made by private banks on such security.

If these recommendations are adopted, the committee is confident that the Export-Import Bank will be well qualified to act as the financing agency to meet Europe's pressing needs in this second broad category of goods. It also believes that the Export-Import Bank will prove to be the best bridge to the return of such financial activities to private channels.

Capital goods and equipment necessary for longer-range programs of reconstruction and recovery constitute the third category that will require financing. The International Bank for Reconstruction and Development was specifically organized to do such financing. Its operations have so far been retarded because the undertaking of reconstruction projects is difficult in economies where the essentials for subsistence and for economic activity are lacking and where there is grave uncertainty as to the future. The committee is convinced that if its program for meeting immediate requirements for food, fuel, and fertilizer is realized, a major obstacle to the functioning of both of the Bretton Woods international agencies will have been removed. The use of the International Monetary Fund in the stabilization of currencies will be facilitated, and the International Bank for Reconstruction and Development will be better able to carry out the financing of long-term capital-goods programs. Private capital should then also become available in larger measure for sound reconstruction programs.

C. AID IN THE FORM OF FOOD, FUEL, AND FERTILIZER; PROPOSED
EMERGENCY FOREIGN RECONSTRUCTION AUTHORITY

As indicated above, the committee considers that the financing of materials, other than food, fuel, and fertilizer, entering into a foreign-aid program, should be largely handled as self-liquidating commercial transactions.

In the case of food, fuel, and fertilizer, a new approach is necessary. We must frankly recognize that payment therefor in terms of dollar exchange cannot be made by certain of the European countries in their present plight and that other arrangements for repayment must be made. Dollar loans made simply as the extension of credits would take out of our hands both the allocation and the timing of the purchase of materials in critically short supply.

To administer aid in the form of food, fuel, and fertilizer, the committee recommends that a new instrumentality of the United States Government be created. This instrumentality might be known as the Emergency Foreign Reconstruction Authority and be established as a corporation under Federal charter.

This corporation should be authorized to enter into arrangements with countries in need of foreign aid under which food, fuel, and fertilizer would be made available to them, and to determine the form of remuneration to be obtained on the basis of its best estimate of the recipient country's capacity to pay.

It is the committee's view that consideration should be given to suggestions which have been made to it that the corporation should also be permitted to use a small specified portion of its authorized capital to provide incentive goods, other than food, fuel, and fertilizer to certain countries which are not in a position immediately to finance the purchase of such commodities either commercially or through the Export-Import Bank or the International Bank for Reconstruction and Development. One of the chief impediments to increasing European production of vitally needed commodities is the lack of consumers' goods which can serve as incentives to labor to work harder on the job and reduce absenteeism and to farmers to raise more food and deliver more of their produce to market.¹ The extent to which

¹ In this connection, the committee wishes to call attention to the success of the Belgian program, initiated after the war, of raising internal production by importing from abroad and producing domestically the largest possible quantities of consumers' and other incentive goods.

European production of food and fuel can be increased by providing at reasonable prices incentive commodities, such as tobacco and cigarettes, shoes, clothing and other consumers' goods, to miners, key factory workers and farmers in selected food-producing regions is the extent to which we can reduce the drain on our own resources of food and fuel.

Attainment of the same objective can be assisted by permitting the corporation to buy limited quantities of agricultural, mining, and other productive machinery and equipment which are urgently required by recipient countries sooner than they could be procured commercially or through the Export-Import Bank or the International Bank for Reconstruction and Development. Properly administered by the corporation as investments in increased production, and under suitable safeguards for insuring that distribution will be made to the proper consumers, the use of funds set aside for the purchase of incentive goods and emergency requirements of machinery and equipment would reduce the volume and cost of American shipments of food, fuel, and fertilizer to Europe.

The original capital of the corporation should be an amount sufficient to cover estimated operations to June 30, 1949. As of December 31, 1948, and semiannually thereafter, the corporation should present a full financial report to the Congress, showing the disposition of its capital funds and the estimated amounts needed to make good any capital impairment, in order to permit the Congress to review the operations of the corporation, exercise its right to modify or abolish it, or to consider any further appropriation to its capital. This would maintain congressional control, within the limits prescribed over the funds of the corporation and yet would give the corporation reasonable scope within which to formulate plans of sufficient duration to permit the recipient countries to develop their own programs of reconstruction and recovery.

The committee is not recommending any specific capitalization for this corporation at this time. We have planned our studies so as to report to the next regular session of Congress on this problem. We are therefore not now in a position to recommend specific amounts for the long-range foreign-aid program.

It is recommended that the staff and personnel of the corporation be exempted by law from civil-service provisions and salary limitations, in order to recruit the most capable personnel available in the briefest possible time.

The corporation should have a bipartisan Board of Directors of eight members who would be appointed by the President and confirmed by the Senate. One of them would be designated by the President as Chairman and Chief Executive Officer of the corporation.

It is recommended that the life of the corporation be limited and that at its expiration all its assets and liabilities should vest in the Export-Import Bank as liquidating agent.

The corporation should hold and administer the remuneration received by it for any supplies delivered where such consideration is not in the form of United States currency. Receipts in dollars would be credited to the corporation's capital account. When the remuneration is in the form of currencies of the recipient countries these currencies should be held as separate funds, and the corporation should appoint, with respect to each such fund, a board of administrators of not less than three nor more than five individuals. A

majority should be citizens of the United States designated by the corporation with the approval of the Secretary of State and acceptable to the recipient country; and the balance should be designated by such recipient country. The foreign currencies held by the corporation may be used to pay for purchasing, building, or maintaining official or diplomatic establishments of the United States, or for the expenses and pay of officials and employees thereof in such countries. Otherwise each local currency fund should be utilized and invested for the primary purpose of contributing to the recovery of the recipient country (under safeguards to prevent inflationary effects), to the development of any new sources of wealth therein and to the promotion of enterprises of mutual interest to the United States and to the recipient country. To the extent practicable, the creation of new wealth should include increased facilities for the production of strategic and critical materials. Agreements for such increased facilities should provide, on the one hand, that a portion of the increased production should accrue to the producing country and thereby aid in providing exchange, and, on the other, that the remainder should be delivered to the United States for sterilized stock piles which would be held out of competition with normal commercial markets. Agreements should be negotiated to this end with all recipient countries which control sources of potential increased production, in such a form as to take agreed quantities for stock piling from production from new facilities or to increase the amounts already taken when there is not an established commercial outlet for the materials concerned. The agreements should be for a long-term (20 or 25 years) period and should contain careful protections against releases from the stock piles except in the case of the national emergency declared by Congress. Investment of any local fund should be made as far as possible to avoid any controlling influence over the management of any enterprise or project in a foreign country. Administration of local currency funds should in no event adversely affect the fiscal or monetary stability of the foreign country concerned.

The recipient country should have the right at any time to redeem any investment at the initial dollar cost thereof, and the corporation should be entitled to sell any investment in any local fund for such consideration as it may deem prudent. There should, however, be no transfer of such funds into dollars or other currencies without the approval of the foreign country concerned and of the International Monetary Fund.

In the opinion of the committee the road to recovery in Europe must be furthered in large part by developing new and untapped sources of wealth and of revenue. The local currency funds provided for above should be viewed as pilot instruments for the development of such new resources. They should be used to stimulate the flow of private capital both within the recipient countries and from the United States into new enterprises with a view to realizing to the full the great untapped, unexplored, and undeveloped sources of wealth in the world.

D. COORDINATION OF GOVERNMENTAL AGENCIES—THE FOREIGN AID COUNCIL

The success of any program for foreign recovery and reconstruction depends in great measure upon the effective coordination of the work of the various American and international agencies which are dealing

with the problem, and the liquidation of existing governmental agencies, whose functions can be performed by the new corporation. The committee therefore recommends that there be established a coordinating council directly under the President, to be known as the Foreign Aid Council.

The Council would be composed of the Secretaries of State, Treasury, Defense, Agriculture, and Commerce, the Chairman of the Emergency Foreign Reconstruction Authority and the other members of the Board of this Authority, the Chairman of the Export-Import Bank, and the United States Executive Directors of the International Bank for Reconstruction and Development and of the International Monetary Fund. The Secretary of State would act as Chairman of the Council.

The Foreign Aid Council would function primarily as an arm of the President, advising and consulting with him regarding the establishment by him, within the limits of the new law, of over-all programs and policies, as well as the manner in which such programs and policies should be executed by the various participating agencies of the Government. Since food, fuel, and fertilizer represent the largest part of the immediate requirements of foreign countries and are the key to the success of foreign reconstruction in general, the Chairman of the Board of the proposed Emergency Foreign Reconstruction Authority should act as the Executive Director of the Council. As its Executive Director he should be required by law to assume the initial responsibility of formulating all programs and policies for the consideration of the Council (so as to aid it in performing its functions of advising and consulting with the President).

Similarly, the Executive Director should have the initial responsibility of determining the means by which such programs and policies should be executed, and to this end be given power to issue, after consultation with the Council, and with the approval of the President, directives to the various participating agencies. The Emergency Foreign Reconstruction Authority itself, through its staff, would perform all of the necessary screening and program coordination functions for its Chairman in his capacity of Executive Director of the Foreign Aid Council. These screening functions would, for example, include analyzing foreign requirements and proposing specific allocations in the light of availabilities and within the limits of approved over-all programs.

It should be noted that certain war-control powers expire on February 28, 1948. The committee recommends that powers relating to allocations, export control, and control of transportation, insofar as deemed necessary to the carrying out of the foreign-aid program, be extended, and, insofar as they relate to allocation for export and export licensing, that these powers be vested in the Executive Director of the Foreign Aid Council. The extension of these powers appears necessary so long as critically short supplies exist in the United States. The limitations on exports and the allocations of exports to the most needy claimants are alike necessary to prevent further inflation in the United States.

E. ASSISTANCE WITHOUT WEAKENING THE ECONOMY OF THE UNITED STATES

The committee was assigned the consideration of—

any or all measures which might assist in assessing relative needs and in correlating such assistance as the United States can properly make without weakening its domestic economy.

There has been a marked tendency in other reports so far issued to place primary emphasis on the needs of European countries. The committee is convinced that the Congress should give primary consideration to the availabilities which may be expected from the United States and from other supplying countries, so that false expectations will not be aroused and unrealistic plans made. The world's needs are greater than any capacity can meet in the immediately ensuing years. The studies already published bear this out as to the ability of the United States to supply grain, coal, petroleum, fertilizer, and steel.

However, it is obvious that certain steps can be taken, both at home and abroad, to increase availabilities within the practical limits of our own management and of possible action by other countries. But, in the last analysis, the problem is as much one of the availability of commodities as of dollars.

F. GENERAL CONSIDERATIONS

The countries of Europe are suffering not only from critical shortages of food, raw materials, and reconstruction equipment; they are suffering also from the moral and physical fatigue incident to the stress and strain of a devastating war. What is vitally needed today is a revival of hope for the future and new confidence in liberal institutions and individual enterprise.

The best method of assuring a sound organization of European aid and its application to a recovery which will benefit the entire world is by setting up a governmental instrument that can assure two things: first, that the maximum self-help and mutual help are being accomplished by the development and use of European resources to the end of a common recovery; and, second, that all available United States and other foreign assistance are being utilized to the same end and that its extension can be counted upon only insofar as this cooperation is forthcoming.

The recipient countries should realize that the American public will not continue to make sacrifices unless they have reasonable assurances that those who receive the aid are willing to work at least as hard to help themselves as do the American people who supply the aid. We believe it necessary and desirable to empower the agency handling the foreign-aid program to take such action as it deems appropriate and feasible from time to time in the light of the existing circumstances to effectuate this objective.

Such assistance as the Congress may authorize in the economic and financial fields should be directed toward helping the various countries work toward the realization of objectives such as those indicated above under the heading "Basic Elements of the Program," which correspond to those the 16 European powers have set up for themselves in the

report of the Committee of European Economic Cooperation. This report, in its conclusion, includes a statement of their determination (1) "to overcome their difficulties as far as they can by their own exertions," (2) to create "internal financial stability" as "a necessary condition for the accomplishment of their productive programs," and (3) "to expand production by increasing measures of mutual self-help."

The gap between available supplies and the emergency requirements of certain of these countries is a serious one. We have a primary duty to protect our own economy and husband our resources, but there should still remain a margin of available resources for foreign aid. If these resources are prudently, effectively, and promptly administered, a measure of assistance can be rendered which will revive hope and confidence in the countries of western Europe, check the present trends toward economic break-down, and start the upward surge toward the reconstruction of the European economy.

In presenting this report to the House of Representatives, the committee wishes to record its conviction that the best protection of the interests of the United States, both in making available, in the most efficient manner, supplies to meet the real needs of the foreign countries and in protecting the economy of the United States against any weakening of its total structure, can be accomplished through the erection of administrative machinery based on the principles that are recommended in this report. Only if the needs of foreign countries are properly scrutinized and if measures are taken, in procuring the goods to meet these needs, that minimize their impact on short-supply commodities, can the economy of the United States be maintained at its present high levels and inflation avoided. The committee feels that it is its duty to place on record, also, that the greatest service that the United States can render to the world at this time lies in maintaining a strong and powerful system of free enterprise in the United States, which bears the burden of nearly half the industrial production of the entire world in this present postwar period.



FOREIGN AID AND EXHAUSTION OF NATU-
RAL RESOURCES IN RELATION TO A STOCK
PILING PROGRAM

PRELIMINARY REPORT TEN
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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80TH CONGRESS } <i>1st Session</i>	HOUSE OF REPRESENTATIVES }	REPORT No. 1142
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FOREIGN AID AND EXHAUSTION OF NATURAL RE-
SOURCES IN RELATION TO A STOCK-PILING PROGRAM

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT TEN

FOREIGN AID AND EXHAUSTION OF NATURAL RESOURCES

In Relation to a Stock-piling Program

I. NATIONAL SECURITY THROUGH MINERAL RESERVES OR STOCK PILES

Lend-lease and the Second World War cut deeply into the available mineral resources of the United States. The more striking points in connection with the exhaustion of mineral resources can be stated briefly by noting that the reserves of the Mesabi Range, which supplies 80 percent of the high-grade iron ore of the United States, have been brought down to the point where, at the present rate of use, lower-grade ores will have to be developed by 1955. The "creaming" of our best resources in other minerals is shown in the following tabulation, the figures representing the number of years' supply of United States commercial reserves—that is, reserves available at anything approximating current costs of extraction—estimated as remaining in 1944 on the assumption of a continuation of the 1935–39 annual rate of use.¹

	<i>Years' commercial supply remaining</i>		<i>Years' commercial supply remaining</i>
Chromite.....	1	Vanadium.....	7
Manganese.....	2	Grade A bauxite.....	9
Asbestos.....	3	Lead.....	12
Mercury.....	3	Cadmium.....	16
Antimony.....	4	Petroleum.....	18
Platinum.....	4	Zinc.....	19
Tungsten.....	4		

It is apparent from these figures that we are dependent upon imports not only for metals and minerals which we do not produce in any appreciable quantity, such as flake graphite, quartz crystals, industrial diamonds, and tin, but also for nearly all of our present commercial needs of minerals like chromite, manganese, asbestos, mercury, platinum, tungsten, and antimony, for all of which we have a 4-year supply or less at the prewar rate of use. A sound conservation policy, in terms of national defense, would indicate the necessity of heavy imports of all the minerals—fluorspar, copper, zinc, cadmium, lead, bauxite, and vanadium—in order to preserve and lengthen the life of our own high-grade reserves.

A. THE EXTENT OF IMPORTS OF NONFERROUS METALS

With the exception of aluminum and molybdenum, the United States is currently an importer of every major nonferrous metal. Therefore, this country is not a potential source of supply to Europe

¹ The estimates are those of Mr. Elmer W. Pehrson, Bureau of Mines, as quoted in *Raw Materials in War and Peace*, published by the Department of Social Sciences, United States Military Academy, 1947.

in this field. On the contrary, Europe and the United States are to a certain extent competing for the exportable surpluses of Latin America and the British Dominions.

Thus far in 1947 the United States has imported, either as ore or as metal, a net monthly average (after allowing for reexport) of 20,000 tons of copper, 23,000 tons of zinc and 16,000 tons of lead. On the assumption that the volume of business activity in the United States persists at its present levels, this country will continue to import these metals on about the same scale, since domestic mine production is for all purposes running at full capacity.

A large portion of European requirements of these materials must come from Latin America. These sales are all being effected for dollars and the net dollar effect, insofar as Europe is concerned, is no different from what it would be were the materials being exported from the United States. Of the British Dominions' production, the output of Canada is being sold for Canadian dollars, the shortage of which in Europe is only slightly less pronounced than the shortage of United States dollars. All told, the volume of copper, lead, and zinc available from Canada and Latin America for Europe, after American requirements as stated above are filled, is estimated at 37,000 tons of copper, 22,000 tons of zinc, and 21,000 tons of lead monthly.

Production of aluminum in the United States at present is running 5,000 to 10,000 tons a month in excess of domestic requirements and this is available for export to Europe. Domestic production is almost at capacity, so that the quantity available for export could not be expanded substantially without reducing the quantity available to United States consumers.

B. THE NEEDS FOR NATIONAL DEFENSE

It is sometimes contended that, by increasing prices, we could turn from petroleum to shale or make petroleum from our tremendous reserves of bituminous coal. New methods of "gasifying" coal promise great savings of fuel oil, on a commercial basis. But the great advantage of the American economy is that it draws on raw materials which are produced cheaply, so as to hold down costs, since raw materials constitute one of the fixed factors in the success of any national economy. The present plight of Britain, caused in part by the exhaustion of a substantial portion of its easily exploitable high-grade coal reserves, is a standing warning to any nation. Britain must, for instance, import most of its iron ore—and all of its high-grade iron ore—with the double danger of increasing its costs of steel production in peace and of being cut off from supplies in war.

Two observations must be made as to the number of years' supply of minerals commercially available at the prewar rate of use. First, the 1935-39 annual rate of use was, in most instances, about half the present rate. Therefore the actual protection of our reserves is lower than that stated, if we are limiting the consideration to high-grade, or what are here called commercial, reserves. The second observation is that by changed technological processes, which unfortunately often (though not always) involve higher production costs, the life of many ore reserves can be indefinitely extended. Beneficiation of low-grade iron-ore reserves and the use of new technical processes might extend our medium-grade iron-ore supply to a hundred years, though our

high-grade iron ore will last not over 10 years under present conditions of demand. Low-grade reserves could be stretched out for several hundred years, if technological means for their utilization could be achieved. The same thing is true, in various degrees, of bauxite, manganese, and vanadium supplies. Similarly, the use of low-grade ores would extend the chromite, fluorspar, gold, mercury, silver, tungsten, and zinc supplies by an additional 5 to 25 years.

Undoubtedly, the factor of substitution should also be considered. One metal can frequently be substituted for another, as aluminum and magnesium are now entering many uses previously filled by copper and lead. It is further true that improved geological exploration in the United States and new methods of mining or extraction also extend the length of ore supplies.

On the other hand, two considerations need to be made that limit the reassuring character of this reservation. First, substitution, particularly in wartime, requires that an economy be more or less controlled and kept on a war footing, with large-scale facilities for technological change-over to new processes and new plants, and, at a minimum, a large number of pilot-plant operations that are not commercially attractive. This sort of wartime economy, though possible in a country under a planning dictatorship, is not possible in a country that depends upon market values and commercial operations. Germany's ability, for instance, to use substitutes, for which the Nazis had been carefully preparing for many years prior to the war, is no test of the similar ability of our own economy to operate in this way on short notice. It was our consistent experience in wartime that large-scale changes in processes, like the change-over of the Bayer process in aluminum production to the lime-soda-sinter process, were extremely costly operations, not only because they required many bottleneck items, like gages, pumps, compressors, and other plant machinery, but also because they were very wasteful of man-hours and disruptive of transportation and other factors. This change, made to save shipping in the most critical periods of the war, had a heavy impact on open-top cars, the effect of which is still felt because the limitation of coal shipments is traceable in considerable measure to shortages of this type of car.

The same thing is true of beneficiation of low-grade ores, with the additional factor that such processes are almost without exception much costlier in terms of the expenditure of manpower, as well as materials and critical components.

The conclusion is that a nation whose economy is primarily commercial in character must be able to depend upon "commercial reserves" in large availability, either through a combination of domestic reserves capable of quick and easy production at a stepped-up rate, and stock piles of imported reserves adequate for a war of several years duration; or alternatively, absolutely secure control, not only of sea access to foreign reserves, and their rail transportation to ports, but also of their procurement and production. The net conclusion is that without stock piles of those ores which are in critically short supply in terms of commercial reserves, there is no secure reliance for a nation bent upon guaranteeing its own survival by reasonable foresight.

There is a second difficulty in dependence upon low-grade reserves or substitution which needs to be recognized. It arises from the political pressure of domestic producers to block imports and to con-

tinue the drain on domestic reserves, even at uneconomic prices and costs. High tariffs have marked the mineral policy of this country in the period since 1930. The same resistance of domestic mining interests applies to the importation of stock piles that would overhang the market. It therefore needs to be met by the strongest arguments for national defense, supplemented by the fact that such imports constitute one of the few relatively painless ways of accepting payment for loans which we are making to countries that are either themselves producers of these minerals (such as Greece and Turkey) or which have colonies which are heavy producers. It must also be met by keeping our own mineral reserves in a state of readiness for national defense by adequate developmental programs.

C. BUILDING A UNITED STATES STOCK PILE OF STRATEGIC MATERIALS

In principle this country is already committed to a program for stock piling strategic materials on a large scale. Congress passed the National Resources Protection Act in July 1946, with an initial authorization of \$200,000,000, only part of which has been appropriated. Although almost 2 years have elapsed since legislation was adopted for the acquisition of such stock piles, progress has been slow owing to the heavy demands of civilian industry in the reconversion period. For instance, consumption of nonferrous metals in the United States not only has absorbed the entire available domestic production but also has required relatively heavy imports. In addition, stocks held by the Government at the end of the war have been drawn on to meet civilian needs.

Under present conditions, therefore, large stock piles can be accumulated only by expanding total world production. There has been wide discussion of the future status of the mineral resources of the United States. Some are forecasting a rapid decline in domestic production and are citing the limited known reserves. Others point out that known reserves at any time have always been limited and declare that a vigorous program of Government support for the mining industry would lead to development of new resources, making possible maintenance of production at high levels. However, there is no responsible school of thought which believes that the United States production of minerals can be greatly increased above the levels which prevailed during the war period.

If, therefore, consumption continues at a high rate, it is clear that stock piles can be accumulated only by importing metals. With proper safeguards, such imports need not in any way impede the maintenance of a healthy domestic mining industry which would be available for any future emergency.

Because the production of strategic metals and minerals in western Europe is considerably less than the over-all requirements of that area, western Europe itself can make little contribution to the stockpile. If, however, the colonial territories controlled by the countries of western Europe are included, a very respectable total can be shown.

It is assumed that these strategic materials would be delivered to stock pile without reducing the volume now being normally marketed in world commerce. The potential resources of many of the colonial areas would permit a substantial expansion in production, but market conditions have naturally made capital hesitant.

Therefore, the ideal arrangement would be for the colonial governments involved to undertake a firm commitment to supply a stated tonnage annually for a period of several years—10 to 20 years being an ideal period for assuring a normal return on capital without either undue profit to the producer or unwise use of scarce equipment for developing and exploiting mining properties.

If the United States agrees to take such a stated annual tonnage, the colonial governments could then in turn make similar agreements with the individual producers. Presumably it would be necessary to establish a minimum price for each material and provide for fluctuations in line with market trends generally.

Appendix A offers some suggestions as to materials and tonnages which could be obtained. The annual total of \$142,000,000 shown is based on assumed prices. If the current market levels were used, the value of these materials would be well in excess of \$200,000,000 annually.

Provided that necessary safeguards are established, there is no question that in the mineral field, at least, American capital is available to take over or supplement European investments in many colonial areas. United States capital is already heavily invested in Rhodesian copper, Canadian nickel and aluminum, and Surinam bauxite. The new lead-zinc deposits in Morocco are being developed in part with American capital. Given a stable government, American capital would probably undertake the reequipment of the important lead-zinc deposits in Burma. It is difficult to measure in terms of dollars just how far this might go, since the willingness of capital to invest in these areas depends not only on the political factors, but also on the economic values of the individual deposits. As a guess, however, in the nonferrous field alone, it is probable that American capital could be found to the extent of \$300,000,000 or \$400,000,000.

D. WHAT WILL BE THE EFFECT OF A FOREIGN AID PROGRAM ON OUR NATURAL RESOURCES?

It is evident that the exports of minerals contemplated in the CEEC program, even if one accepts the unscreened requirement figures of western European countries presented at the Paris Conference, are not of a magnitude to exhaust the national economy to any degree equivalent to the war effort, or even to the operation of Lend-Lease during the war. At the same time, it is clear that the annual export of several million tons of steel and possibly a similar amount in the form of machinery of every character, cannot but put a drain upon our resources to the degree that domestic minerals are going into these exports. The loss of the scrap involves mining still more ore. There is all the more reason for replacing the total export of raw materials that go into these commodities and for getting imports of materials of which we do not possess reserves as a payment in kind and over a long period for whatever aid the Congress may authorize. Commercial exports in large volume need to be offset also.

What form ought such replacements take? A few examples of such possibilities may serve to indicate the line that should be systematically explored in making every master agreement, through whatever agency the Congress sets up to implement the foreign-aid program. The first is iron ore. Very high-grade new deposits of iron ore are

known to exist in Labrador, as well as in neighboring Quebec. Labrador is a portion of Newfoundland, which, in turn, is a colony of Britain and not a dominion. Present efforts to arrange for a change of Newfoundland to dominion status or to a partnership on federal terms with Canada might be made the basis of negotiations with the United Kingdom so that some participation in these resources be allocated as security against a United States' loan to Britain. Similar treatment might well be considered in connection with the British Shell holdings in Venezuelan oil. A systematic review of world resources on this basis would produce astonishing results in terms of possibilities of repayment. New Caledonia, a French possession in the Pacific, has rich nickel and chrome deposits. We are pouring out our own resources to aid these countries. An equivalent guaranty of repayment through stock piling or participation is only a fair return.

Where it is inexpedient politically or otherwise to attempt this direct solution of acquisition of mineral rights, a combination of American private capital for development under Government partial guaranty, plus stock-pile deliveries over a 25-year period, would go far toward repaying some of the Marshall program loans and possibly securing interest coverage on previous advances.

II. DEPLETION OF SOIL RESOURCES

The Technical Reports of the Committee of European Economic Cooperation (Vol. II) indicated that approximately 70 percent of the western European import requirements from all areas over the next 4 years will be in the food, fuel, and fertilizer categories. Approximately 55 percent of the requirements will be for food imports. Much of that deficit, if met at all, presumably must come from the United States. If so, it would necessitate the continued over-utilization of our soil resources.

By and large, each ton of cereal or meat that leaves the farm has taken its toll of our soil resources. Soil is an exhaustible resource, slowly but surely depleted, crop by crop, ton by ton. Nitrogen, phosphoric acid, and potassium are the major essential food elements taken by farm crops from the soil. The following table gives in percentage terms the amounts of these essential elements of soil fertility found in the grain of the three major cereals:

	N	P ₂ O ₅	K ₂ O
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Corn.....	1.5	0.62	0.37
Wheat.....	2.1	.99	.53
Oats.....	1.9	.76	.48

The export of even a modest one billion bushels of wheat over the whole of the next 4 years would mean the draining off from the soil of large tonnages of these soil constituents: one and a quarter billion pounds of nitrogen, six hundred million pounds of phosphoric acid, and about half as much potassium.

In certain areas and within certain limits, such soil depletion can be restored partially if not wholly, by the slow processes of time, and more rapidly by fertilization, rotation, and other devices of good farm management. But such remedial measures are at least delayed and

at worst not employed until too late so long as emphasis is on capacity production.

In any case, the problem needs to be faced and considered: What are the implications of the foreign-aid program to the conservation of the soil resources of the United States?

It means that the agricultural plant will have to continue to operate at capacity level for some years to come without having had a chance to recuperate under good rotation, fallow, and fertilization from the all-out war effort.

Competent agricultural specialists estimate that, as an average for the 1949-52 period, maximum wheat acreage might be 72,000,000, varying between 70,000,000 to 75,000,000 acres, depending on moisture conditions and the extent to which conservation is emphasized. A pattern of only 62,500,000 acres is considered desirable. This represents, in terms of production, a difference of some 100,000,000 to 125,000,000 bushels. The estimated difference between the maximum and the desirable is, in the case of corn, 2,000,000 acres and perhaps 160,000,000 bushels. As regards cotton, the acreage difference between the indicated maximum and the desirable is as much as 3 million acres and 1.1 million bales. Requirements for commercial fertilizers per year for all United States agriculture under the maximum production pattern, 1949-52, as compared to actual use 1947, are estimated at an additional 210,000 tons of N, 525,000 tons of P_2O_5 , and 190,000 tons of K_2O .

In addition to the direct drains on the fertility discussed briefly above, there is the indirect, but probably more significant, aspect in its long term of increased erosion drain resulting from overcropping. Most of the United States crops likely to be emphasized under the foreign-aid program require plowing the land. Some require frequent tillage. This leaves the soil open to wind erosion if the drought phase of the weather cycle should arrive again and equally open to nearly irreparable water erosion in case of heavy precipitation. Some 110,000,000 acres, about one-fourth of our total cropland, is now being damaged by erosion at a critical rate. Emphasis on all-out production during the next few years must be accompanied by greatly increased emphasis on and effective activation of erosion-control measures or there will be a virtual loss of an additional 10 percent or more of our soil resources.

APPENDIX A

EXCESS MATERIALS AVAILABLE FOR STOCK PILING FROM THE 16 COUNTRIES OF WESTERN EUROPE (C. E. E. C.)

The production of strategic metals and minerals in western Europe is considerably less than the over-all requirement of that area, so that little can be expected along this line if the area involved is limited to western Europe itself. If, however, the area is widened to include the colonial territories controlled by the countries in western Europe, a very respectable total can be shown.

The following tabulations may serve as a preliminary basis for estimating possibilities of repayment through the stock piling of strategic minerals.

In making these calculations the British dominions are shown in a separate category, for the reason that these countries, to a large extent, determine their own financial and economic policies, and it is not clear whether or not they could be tied in with a scheme involving assistance for western Europe.

The tabulations have also been prepared on the assumption that repayment of strategic materials should be effected not by reducing the volume of these strategic materials that are normally marketed in world commerce but, rather, by providing for an expansion in production, with the increased output being made available to stock pile. Obviously, this raises some questions with regard to the arrangements between the local governments and the producers, as well as the matter of pricing the metals in connection with repayment.

The problem can be made simpler perhaps by analyzing the figures in the tabulation with respect to a single commodity, say, lead.

It will be noted that a total of 75,000 tons annually of lead is suggested from five areas—Tanganyika, South Africa, Burma, Australia, and Morocco.

In the case of Tanganyika and Burma, it would be necessary to build plant almost from scratch, the first area being one in which a large new deposit has recently been developed, the second being one where the former producing facilities were destroyed by the Japanese. It would obviously encourage private investors to provide the facilities to equip these two properties if they had the assurance of a long-term outlet.

The question of price, as well as tonnage, is of paramount importance, and it would be necessary to work out a formula whereby, in crediting the value of strategic materials either as interest or principal against advances, the United States would establish some minimum price for each material, with some provision for fluctuation in line with market trends generally.

The three other areas shown, South Africa, Australia, and Morocco, are producing lead currently, but there are possibilities of considerable expansion, and the additional lead could be diverted to stock pile without in any way interfering with the present market. Canada is also a large producer of lead, but it is not suggested that Canadian lead should enter into this scheme, for the reason that an expansion of Canadian production does not appear to be possible of easy accomplishment under present conditions.

The total amount of lead shown is 75,000 tons a year and, assuming a 20-year plan, represents a total of 1,500,000 tons. This, in turn, is equivalent to over 1 year's military requirement, based on the peak rates experienced in World War II. It is equivalent to about 3 years' import requirements, based on present domestic production from primary and secondary sources.

It is possible to argue that we could afford to stock pile a larger tonnage of lead. However, these figures have been prepared all along on the assumption that, in addition to the stock-pile lead that we take in repayment for credits advanced to western Europe, we would have to give Latin America a similar opportunity. Since Mexico, Peru, Bolivia, and Argentina are also potential sources of lead, it is assumed that a portion of the stock pile would be built up from those countries.

The plan of giving some weight to other possible sources of strategic materials has been taken into account with respect to all of the materials. The areas controlled by western Europe are proportionately larger suppliers of tin, manganese, and chrome than they are of copper, lead, or zinc. Therefore, in this preparation, the estimated annual rate of takings of tin, manganese, and chrome are bulked greater in relation to probable stock-pile objectives.

In assigning values to the tonnages shown, prices have been used somewhat lower than those which prevail at present, in an attempt to approximate a probable 20-year average. There is obviously room for wide margin of error in this price question. Prices may well rise, in view of the wider use and the exhaustibility of minerals.

Also, the prices assume delivery of the materials, cost, insurance, and freight, United States ports. Since we are extending financial assistance to these countries to lessen their drain on dollar reserves, it seems logical to give them the opportunity of transporting the materials to our ports.

It may be that the aggregate amount indicated in this tabulation of approximately \$136,000,000 a year will seem relatively small. This total is for excess materials to go into stock pile only. It would seem foolish to channel the entire import of these strategic materials from the areas named into the field of repayment of any advances for assistance given, because by so doing the current dollar credits which are being earned through normal commercial activities would be reduced and the unfavorable balances of western Europe further increased. No attempt has been made to assess the current dollar value of these commercial imports from the areas affected, but it must be in the region of \$250,000,000 to \$300,000,000, the principal items being tin from the Far East; nickel, copper, lead, and zinc from Canada; manganese, chrome ore, and asbestos from South Africa; manganese and mica from India; cobalt and tin from Belgian Congo; and manganese from the Gold Coast.

TABLE I.—*British Empire (excluding Dominions)*

	Country	Tonnage	Assumed price landed in United States	Value landed in United States
			<i>Per unit</i>	
Copper.....	Rhodesia.....	25,000	\$300	\$7,500,000
Lead.....	Tanganyika.....	10,000	200	2,000,000
Tin.....	Malaya.....	20,000	1,100	22,000,000
Bauxite.....	Gold Coast.....	50,000	12	600,000
Do.....	British Guiana.....	150,000	12	1,800,000
Manganese.....	Gold Coast.....	100,000	35	3,500,000
Chromite.....	Rhodesia.....	50,000	35	1,750,000
Do.....	Sierra Leone.....	20,000	35	700,000
Vanadium (as V ₂ O ₅).....	Rhodesia.....	200	2,000	400,000
Asbestos.....	do.....	5,000	75	375,000
Diamonds.....	West Africa.....	¹ 500,000	3	1,500,000
Mica.....	Tanganyika and Rhodesia.....	200	3,000	600,000
Graphite.....	Ceylon.....	1,500	90	135,000
Total annual value.....				42,860,000

¹ Carats.

TABLE II.—*British Dominions*

	Country	Tonnage	Assumed price landed in United States	Value landed in United States
			<i>Per unit</i>	
Copper.....	Canada.....	20,000	\$300	\$6,000,000
Lead.....	Australia.....	15,000	200	3,000,000
Do.....	Burma.....	15,000	200	3,000,000
Do.....	South Africa.....	15,000	200	3,000,000
Zinc concentrate.....	Australia.....	30,000	40	1,200,000
Do.....	Canada.....	25,000	40	1,000,000
Do.....	South Africa.....	30,000	40	1,200,000
Manganese.....	India.....	100,000	35	3,500,000
Do.....	South Africa.....	50,000	35	1,750,000
Chromite.....	do.....	50,000	30	1,500,000
Nickel.....	Canada.....	10,000	650	6,500,000
Tungsten.....	South Africa.....	200	1,200	240,000
Do.....	Burma.....	1,000	1,200	1,200,000
Platinum metals.....	South Africa.....	10,000	50	500,000
Mica.....	India.....	2,000	1,500	3,000,000
Asbestos.....	South Africa.....	10,000	100	1,000,000
Total annual value.....				37,590,000

¹ Ounces.TABLE III.—*French, Belgian, and Dutch Empires*

	Country	Tonnage	Assumed price landed in United States	Value landed in United States
			<i>Per unit</i>	
Copper.....	Belgian Congo.....	20,000	\$300.00	\$6,000,000
Tin.....	East Indies.....	20,000	1,100.00	22,000,000
Do.....	Belgian Congo.....	2,500	1,100.00	2,750,000
Lead.....	Morocco.....	20,000	200.00	4,000,000
Zinc.....	Belgian Congo.....	20,000	160.00	3,200,000
Zinc concentrate.....	Morocco.....	30,000	40.00	1,200,000
Bauxite.....	France.....	50,000	12.00	600,000
Do.....	East Indies.....	100,000	12.00	1,200,000
Do.....	Surinam.....	100,000	12.00	1,200,000
Chromite.....	New Caledonia.....	15,000	35.00	525,000
Cobalt.....	Belgian Congo.....	1,000	3,000.00	3,000,000
Cobalt ore.....	Morocco.....	2,000	300.00	600,000
Nickel.....	East Indies.....	5,000	650.00	3,250,000
Mica.....	Madagascar.....	300	2,000.00	600,000
Graphite.....	do.....	2,000	100.00	200,000
Diamonds.....	Belgian Congo.....	150,000	.50	250,000
Tantalum-columbium ore.....	do.....	500	600.00	300,000
Total.....				56,875,000

¹ Carats.TABLE IV.—*All other*

	Country	Tonnage	Assumed price landed in United States	Value landed in United States
			<i>Per unit</i>	
Tungsten.....	Portugal.....	1,000	\$1,200	\$1,200,000
Mercury.....	Italy.....	14,000	60	240,000
Talc (steatite).....	do.....	1,000	40	40,000
Chromite.....	Turkey.....	50,000	35	1,750,000
Copper.....	do.....	5,000	300	1,500,000
Cryolite.....	Greenland.....	2,000	90	180,000
Total value.....				4,910,000

¹ Flasks.

TABLE V.—*Recapitulation*

Table I. British Empire (excluding Dominions).....	\$42, 860, 000
II. British Dominions.....	37, 590, 000
III. French, Belgian, and Dutch Empires.....	56, 875, 000
IV. All other.....	4, 910, 000
Total.....	142, 235, 000

TABLE VI.—*Totals by commodities*

Commodity	Unit	Total amount annually	
Asbestos.....	Ton.....	15, 000	5,000 each amosite, chrysotile, blue.
Bauxite.....	do.....	400, 000	Aluminum equivalent 100,000.
Chromite.....	do.....	185, 000	135,000 metallurgical, 50,000 chemical.
Cobalt.....	do.....	1, 300	Including 300 tons contained in ore.
Copper.....	do.....	70, 000	
Cryolite.....	do.....	2, 000	
Diamonds.....	Carat.....	1, 000, 000	Largely crushing board.
Graphite.....	Ton.....	3, 500	2,000 crucible grade.
Lead.....	do.....	75, 000	
Manganese ore.....	do.....	250, 000	Basis 48 percent Mn.
Mica.....	do.....	2, 500	2,200 muscovite; 300 phlogopite.
Mercury.....	Flask.....	4, 000	
Nickel.....	Ton.....	15, 000	
Platinum metals.....	Ounces.....	10, 000	
Talc (steatite).....	Ton.....	1, 000	
Tantalum-columbium ore.....	do.....	500	Basis 25 percent Ta ₂ O ₅ ; 20 percent Cb ₂ O ₅ .
Tin.....	do.....	42, 500	
Tungsten ore.....	do.....	2, 200	Basis 60 percent WO ₃ .
Vanadium oxide.....	do.....	200	V ₂ O ₅ basis.
Zinc.....	do.....	70, 000	Including 50,000 recoverable content of concentrates.

The above figures are all in short tons except where otherwise noted and except for chrome, bauxite, and manganese, which are in long tons, as is customary in the trade.

In addition, it might be possible to obtain some of the following commodities, but the available data provide little basis for estimating a rate over a 20-year period.

Corundum.....	South Africa, Portuguese East Africa.
Beryllium ore.....	India, South Africa, Uganda.
Tantalum ore.....	Uganda, Australia.
Kyanite.....	India.
Uranium ores.....	Canada, Belgian Congo.
Cadmium.....	Belgian Congo.

Except for uranium, the aggregate value of these materials would not be large in relation to the totals shown.



COMPARATIVE ANALYSIS OF SUGGESTED
PLANS OF FOREIGN AID

PRELIMINARY REPORT ELEVEN
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
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80TH CONGRESS <i>1st Session</i>	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 1143
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COMPARATIVE ANALYSIS OF SUGGESTED PLANS OF
FOREIGN AID

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT ELEVEN

COMPARATIVE ANALYSIS OF SUGGESTED PLANS OF FOREIGN AID

I. PROPOSALS FOR ORGANIZATION AND ADMINISTRATION OF THE EUROPEAN RECOVERY PROGRAM

The presentation of the plan proposed by the committee (hereafter referred to as plan III in the accompanying chart and in this document) may be usefully studied against other proposals which have been examined by the committee before reaching its conclusions. These plans in some instances are still in a confidential stage so far as regards attribution to the agencies concerned. They are therefore referred to merely as plan I, plan II, and plan IV.

This study of the plans aims to do no more than examine the logic behind each one of them and behind the problem itself. It is felt that a consideration of the committee's own plan and the reasons which have recommended it for a choice as among the different proposals lies in the very nature of the problem which this country is attempting to solve—namely, to render the most effective aid to re-establish western Europe as a healthy economy and to maintain its free political systems without at the same time seriously weakening the economy of the United States. If this job is to be done, as the committee's analysis in its report on the "Proposed principles and organization for any program of foreign aid" shows, there must be an agency capable of screening effectively the requirements of European countries, of promoting their mutual cooperation in helping each other toward recovery, of insisting on certain conditions to make our aid effective, and of securing the cooperation in this task of other supplying countries with export surpluses. This agency would necessarily have powers of at least controlling foreign procurement for any aid program and of directing the necessary powers of other agencies to facilitate that program. It would have to be geared into our over-all foreign policy so as not to impede its main lines; at the same time, it would have to be organized to assure the balancing of the interests of the United States economy against the needs of foreign countries.

The following comparative analysis of the plans is intended to bring out some of the problems that will have to be considered. It is hoped that it constitutes a detached and objective study of the background against which the committee's choice of plan III has been made.

A. COMPARATIVE PRESENTATION OF FOUR CURRENT PLANS

(See chart, following:)

Comparative presentation of 4 current plans

Functions	Plan I	Plan II	Plan III	Plan IV
I. POLICY				
Programming, policy-----	Distributed; heads up implicitly in the President.	Distributed; see details below.	President with aid of a Foreign Aid Council at Cabinet level; initial formulation and screening by chairman of new agency in his additional capacity as Executive Director of Council.	Distributed, with new State agency playing the leading part; heads up implicitly in the President.
Administration and coordination-----	New agency.	Primary responsibility in new agency.	Executive Director of Council (who is also chairman of the new agency) can issue directives to all participating agencies after consultation with Council and with approval of President.	As above.
II. DETERMINATION OF SUPPLY, ALLOCATIONS, PRIORITIES, SET-ASIDES, DIRECTIVES, ETC.				
United States versus export-----	As at present: Agriculture Department for food and agricultural items; Commerce for food and nonagricultural items. New agency to claim for OEEC countries; Army for Bizonia, etc.; foreign policy considerations to be presented by State Department.	As at present: Commerce, with first jurisdiction over foods in Agriculture; new agency to be represented on departmental committees; present presentation of programs for bulk items by international organizations to be continued; provision for advisory committees representing domestic producers and consumers; also for official and private representatives of foreign countries.	Executive Director of Council, with advice of Council and approval of President, acting through (1) directives to new agency on food, fuel, and fertilizer; (2) similarly supported directives to appropriate executive agencies concerning the procurement and licensing of other items for export; (3) advice to the Export-Import Bank on financing of raw materials; and (4) negotiation with International Bank on the financing of capital equipment. In the latter two cases the funds and lending powers of the cooperating banks are expected to be adequate to the screened requirements of each participating country.	As at present: Agriculture Department for food and agricultural resources, Commerce Department for nonagricultural resources; new State agency to formulate European commodity requirements (with assistance of Commerce, Agriculture, National Military Establishment, Treasury, and Interior Departments) and advocate its program before allocating authorities. Allocating authorities also to consider recommendations of international allocating agencies.
"Area aid" versus other export....	By the allocating agencies as above, in consultation with claimants and with concurrence of State.	Presumably as above.	As above.	New State agency.
"Area aid" by participating countries.	Initiative by new agency with active participation by State Department to insure its concurrence.	New agency; primary screening by agency's European organization.	Do.	Do.

Decisions to withhold aid	Do.	Do.
Domestic	<p>New agency for participating countries (with particular emphasis on unimportant goods); allocating authorities for others. Any additional allocation or priority powers (not distinguished as to export or domestic) to be exercised by the departments now responsible.</p> <p>Export priorities and issuance of export licenses to participating countries to be approved by new agency; no comment respecting other countries, leaving an inference that control over shipments to them would remain as at present.</p> <p>No comment, except that any new powers should "be exercised by the departments and not by the new organization."</p> <p>Government procurement should be used as little as possible, though in some cases it may be necessary and authority should be provided.</p> <p>No comment.</p>	<p>No direct comment; but (1) Commerce and Agriculture Departments to adjust domestic "policies and programs to conform with allocations" and (2) Maritime Commission to adjust ship sale and charter programs.</p> <p>Commerce Department to schedule and expedite fulfillment of requirements other than food, issue export licenses and priorities and import licenses; Agriculture Department to procure bulk agricultural commodities and exercise production controls as necessary; NME to procure and ship for Bizonia; ODT to exercise any transport controls to break bottlenecks; State Department to advise Commerce and Agriculture Departments on political exigencies.</p> <p>Other than as indicated above. Commerce Department to exercise any industrial controls authorized and not specifically vested in other agencies; ODT to exercise any transportation controls to break bottlenecks.</p> <p>New State agency.</p> <p>Agriculture Department for agricultural commodities as necessary; NME to procure and ship for Bizonia; Treasury to procure nonagricultural items furnished by U. S. Government.</p>
III. ADMINISTRATION OF DISTRIBUTION CONTROLS		
Export	<p>Commerce.</p>	<p>Control over exercise lodged in chairman of new agency.</p>
Domestic	<p>Transportation: ODT. Food and agricultural commodities: Agriculture Department. Nonfood: Commerce. Fuels: Interior. New agency to sponsor controls before these agencies.</p>	<p>As above.</p>
IV. PROCUREMENT AND DELIVERY		
Policy as between Government and private procurement.	<p>New agency, in consultation with the procurement agencies.</p>	<p>Executive director of new agency, with advice of Council and approval of President.</p>
Government procurement agency.	<p>As at present: CCC for food and agricultural items; Treasury, Army, etc., for nonfood.</p>	<p>As at present: CCC for food and agricultural items; Treasury, Army, etc., for nonfood.</p>

Comparative presentation of 4 current plans—Continued

Functions	Plan I	Plan II	Plan III	Plan IV
V. FINANCING				
Determination of needs and terms, by countries.	New agency, with NAC concurrence.	One of principal functions of new agency to finance or arrange for the financing of European purchases; expenditures for long-term capital improvements to be financed by International Bank to fullest extent possible under its authority and policy; Export-Import Bank empowered to make or guarantee loans (to supplement International Bank or finance raw materials) under directives from head of new agency; otherwise new agency itself to make or guarantee necessary loans. Heavy stress on need for coordination to aid in stabilizing foreign currencies and exchange.	New agency for food, fuel, and fertilizer; Export-Import Bank for raw materials. International Bank for capital equipment. With foregoing help private capital expected to become available in larger measure.	New State agency to adjust overall program in light of allocations, to certify adjusted individual country programs in terms both of commodities and dollars to Departments of Commerce, Agriculture, Treasury, etc.; to negotiate specific terms of assistance, e. g., grants, credits, loans (under fiscal policies established by NAC).
Administration of funds (including commodity and fiscal accounts).	New agency.		As above.	See above: Treasury to disburse funds and to report on the status of United States dollar accounts for European recovery.
Policy coordination with International Bank and Fund.	NAC after consultation with new agency.	See above; also head of new agency to be made member of the NAC and of the Advisory Board of the Export-Import Bank; very close relations with State Department and Americans in International Bank recommended. Handling the problem of blocked local currencies listed as one of the important functions of the new agency (requiring appropriate authority), in which the State Department has a major interest.	Foreign Aid Council through: (a) Negotiation conducted by the chairman; (b) directives of its executive director (with Presidential approval) to executive agencies of the Government; (c) advice to Export-Import Bank. New agency: To hold local currencies through a board of administrators for each country, of whom a majority would be United States citizens. Funds to be applied to local United States needs, new enterprise of mutual interest to United States and the recipient country, sterilized United States stock piles, etc.; receipts in dollars to be credited to the corporation's capital account; no transfer to dollars or other currencies without approval of foreign country concerned and the International Monetary Fund.	NAC to instruct United States' representatives on International Bank and Fund on loan determinations and currency stabilization matters.
Control of local currency proceeds.	Special aid personnel under regular mission chiefs.			New State agency, with advice of NAC.

VI. MORTGAGE CONTROL (OTHER THAN FINANCE)	General responsibility for requisition and delivery vested in new agency; no treatment of detail other than to stress importance of giving the new agency a veto (not affirmative) power over export priorities and export licenses to participating countries. New organization will be performing primarily an operating job.	Distributed over existing executive agencies (and the new agency) Export-Import Bank, and International Bank, but subject in the case of executive agencies to directives of the Council's executive director with the advice of the Council and the approval of the President.	Largely decentralized for domestic operations: Agriculture for agricultural items, Commerce for nonagricultural items; Budget Bureau to coordinate proposed legislation, Executive orders, and Presidential actions; in the broad sense the new State agency to receive and continuously review reports from its European office on progress of recovery and to synthesize them with the status of procurement, etc., in the United States.
VII. AGREEMENTS AND CONTACTS IN EUROPE	Regular United States missions for bilateral; new agency representative in Europe for multilateral (under instructions from State after consultation with new agency, N.A.C. and others). Strengthened personnel under regular mission chiefs; program coordinated by special United States representative of new agency.	New agency for fuel, food, and fertilizer; degree of possible adherence of International Bank and Export-Import Bank, a general protocol not specified.	New State agency to "negotiate bilateral agreements and participate in multilateral negotiations."
Administration in Europe: Including identification of supplies, review of end use and reexports; technical assistance; coordination of missions.	New agency to have representatives in Europe to deal with participating countries; representatives to be headed by a chief reporting directly to the head of the agency; representatives to report directly to their chief and not through the ambassador or the Department of State; Ambassadors to be kept informed, to handle directly nontechnical questions of "sufficient" importance to foreign policy. To coordinate and control all discussions with foreign officials (technical or nontechnical).	Not yet specified.	New State agency to advise with European nations and exercise surveillance over execution of program overseas; Operations Minister for ERP and specialized staff in each country to report through and under the authority of the Ambassador; United States representative at large with rank and status of Ambassador to ECEC and any continuing CEEC organization.

Comparative presentation of 4 current plans—Continued

Functions	Plan I	Plan II	Plan III	Plan IV
VII. AGREEMENTS AND CONTACTS IN EUROPE—continued				
Encouragement of maximum self-help and mutual help: Reports to United States.	Special United States representative as delegate to CEEC and ECE; strengthened and expanded missions within other countries.	Impliedly through the chief of the new agency in Europe; his staffs are to screen requests and make sure that American supplies are put to proper use and "that the commitments of the participating countries are met."	Policy of no political interference; authority to enter into arrangements concerning food, fuel, and fertilizer lodged in new agency; executive director of Foreign Aid Council (who is also administrator of new agency) to formulate policies for consideration of Council, which will advise Export-Import Bank on raw materials and consult with International Bank on capital equipment in relation to complementary European activities. Nature of European contacts for promotional measures not yet specified.	Special United States representative of new State agency as delegate to CEEC and ECE; strengthened and expanded missions within other countries.
VIII. ORGANIZATION, POWERS AND LIMITATIONS OF NEW AGENCY				
Within above functions-----	New agency, unincorporated, with an administrator reporting directly to President and advised by a public advisory committee; special United States representative in Europe with Ambassador rank to report to Secretary of State and through him to administrator of new agency, on collective program progress and particularly on cooperation. New agency primarily for planning, expediting, supervision, coordination and auditing. Little authority other than through persuasion.	Consideration of corporate form recommended; new organization to be under control of its own head (chairman) who would be appointed by the President and confirmed by the Senate; Board of directors to be composed of heads of the interested departments and possibly public members, with functions limited to decisions on broad policy questions; an advisory group of representatives of the public, business, agriculture, and labor; because of the vital importance of the agency's activities to foreign policy, the Secretary of State to be a member of the Board, and effective cooperation with the State Department on matters bearing importantly on foreign policy to be developed.	Corporation, with bipartisan board of directors of eight members including a chairman and executive officer, all to be appointed by President and confirmed by Senate; authorized (a) to enter into arrangements with countries in need of foreign aid, under which food, fuel, and fertilizer would be made available to them, (b) to determine the form of consideration to be obtained, and (c) to screen all aid requirements for the new Foreign Aid Council. (See below.) The chairman of the new corporation to serve also as executive director of the new Foreign Aid Council (Cabinet level advisers to the President), and in that capacity (a) to formulate pro-	New agency, unincorporated to be established within State Department, internally autonomous but directly subject to the authority of the Secretary; its head to rank with but after the Under Secretary of State with the title "Administrator for Economic Cooperation," subject to confirmation by the Senate; to use existing advisory groups within Government such as the NAC; and existing or adapted public advisory groups such as those now attached to Commerce, Labor, and Agriculture. Foreign organization as described above.

gram and policies for the consideration of the Council covering *all* aid requirements, and (b) after consultation with the Council and with approval of President, to issue directives to participating agencies under the President's authority. The membership of the President's Advisory Council would include the Chairman of the Export-Import Bank and the United States executive directors of the International Bank and of the International Monetary Fund. Its chairman would be the Secretary of State. Effective participation of the autonomous banks in a common program would be achieved through this body with particular regard to the financing of raw materials and capital equipment.

B. ANALYSIS AND COMMENTS

1. Underlying issues: Centralization against Dispersion of Authority

The major proposed plans of organization presented in the attached table show a great diversity of opinion on both principles and details. There are many good reasons for most of the differences in detail, but running through them and resulting in utter incompatibility on major features is the ancient issue of centralization against decentralization. A decision on this point will either settle or set up formidable presumptions on many other points.

Basic considerations are therefore examined by way of foreword.

Their concrete application will appear in the discussion of the table. It must be remembered throughout that all plans contemplate a new organization to handle European reconstruction. There is a vast difference, however, in the powers assigned to it under the several plans. The issue between centralization and decentralization is not always identified as such, but it is the issue principally guiding those who propose different degrees of authority for the new agency. For this reason the first phase of the discussion must deal with principles.

a. The immediate setting of the argument is clear. On the one hand a number of existing agencies seem to be fitted by experience to take over a major part of the new work. On the other, there is before this country now an objective of such urgency and scope as to suggest strong central direction.

The problem is bigger than relief and smaller than war. It is too big for complete decentralization and not big enough for an OWMR. The ideal solution would obviously make full and easy use of existing facilities without sacrifice of central responsibility. The leading administration plans assume that most of the essential domestic functions are now being adequately performed somewhere. Their implication is that enough officials will be putting pressure on the President without adding another. The question is, whether a distinctive new dimension or function has not been added by the adoption of a plan for long-range world reconstruction, and whether that dimension or function should not also be represented before the President.

b. Nothing could be simpler than the case for leaving things as they are:

(1) Existing agencies of the Government have been dividing inadequate supplies among the sorely pressed peoples of the earth for nearly 2 years, and in varying degrees have seen to their procurement, storage, shipment, and effective use. They have done this in part through their regular staffs and in part through successful absorption of the remnants of war agencies. In doing it they have probably incurred no greater criticism than any other allocating or procuring authority would have met. A new agency would need months to learn what the existing agencies already know: the education of new officials in work involving delicate relations with the public is sometimes painful to all concerned, and in the end there is no certainty of any improvement.

(2) It is argued that the new job is no bigger than the old. The setting is more tense and the purposes are more candid, but these are qualities of policy rather than administration. The job has always been big enough to require a high order of competence and experience, and the change in significance makes little difference in that respect.

The inference suggested by many statements is that the annual rate of net exports in the peak quarter under the Marshall plan will not exceed the rate reached in the second quarter of 1947. (Explicitly, however, the claim is only that the peak yearly figure will not be higher than the second quarter 1947 annual rate.) It is true that shortages in a few items, notably wheat, will be even more acute. Petroleum and steel requests will also be more difficult to meet than last year but unless inefficiency or bias is demonstrated, why does that call for a change? Particular staffs may have to be strengthened, but for most purposes they can be strengthened where they are—so runs the argument for leaving matters as they are.

(3) The war experience still influences those who participated in it, and it requires an effort not to read one problem into the other. In wartime the greater part of the Nation's resources had to be alined with war purposes, and both the strain and the amount of administrative machinery needed to effect the necessary rechanneling were great. In the area of production alone, remote bits and pieces had to be made to converge at a multitude of assembly points to achieve a variety and volume of planned output never previously attempted under central direction. There is nothing like this in the present prospect. Comparatively speaking, but a handful of commodities will be involved, and in few of these will the shortage be nearly as acute as in wartime.

(4) The natural tendency of democratic government is centrifugal. Political scientists have regarded this tendency as one of its plagues. There are two reasons:

(a) Most groups entrusted with an idea or a program tend to exalt its importance, which is commendable except for the phase of enthusiasm that leads them to want to wrap a bureau around it. The impulse to build new units is much more common than the discipline required for compact organization. Duplication usually follows, despite the best intentions, because of the desire and even the need of new officials to be well-served.

(b) Within individual organizations, people tend to cohere, unless thoroughly mixed as to types. Even in the latter case, they will usually be controlled by institutional loyalty or advantage. With this insularity, there grows at the same time an illusion of superiority, winding up in a tendency to pull away from each other. What has been said here is particularly true of new functions.

Whatever the motivation, every new agency throws more weight on one of the weakest functions in popular government—that of coordination. A large part of the time and efforts of departments, bureaus, offices, and corporations goes into imperfect performance of this integrating function. The network known as red tape is in good part the outward sign of an effort to keep public policies from flying off at tangents. It is not surprising that officials specializing in structure tend to resolve most reasonable doubts by deciding against the establishment of new offices, or by limiting their authority to strictly new functions.

Fifth. Of probably minor importance, there is some question as to whether public thinking is really attuned to powerful new organizations of the kind tolerated during the war, or whether they would be regarded as opéra bouffe, or simply suspect in a situation still not deeply touching personal lives.

c. Those advocating an extensive grant of powers to a new administration or corporation do not discount the problems depicted above, but believe that the tests of need are met.

(1) The goal is nothing less than the economic, political, and moral reconstruction of Europe (actually, of the world). Such an undertaking is both formidable and unorthodox. It is too momentous to be left to the mere coordination of scattered existing powers and functions. The task of coordination is itself great enough to justify a reconsolidation of existing emergency powers for the purpose. During its life its work will be as important and as distinctive as that of other major units of the Government. Certainly there will be some overlap and duplication. There is between all departments, but purpose and importance still determine their status.

(2) Perhaps the most effective argument against a strong new agency is that the annual volume of net exports even as swollen by the proposed emergency reconstruction program will probably never be as large as it was in the second quarter of this year at an annual rate. Are new dimensions introduced, then, that would justify a bunching of authority? Proponents have taken this almost for granted from the beginning. The change that they see is in purpose. Formerly the main theme was relief on a country-by-country approach. Now it is the reintegration of a continent. Sixteen free countries and a military province are trying to build to a common plan, a plan designed to make mutual use of joint resources. The new organism must at the same time be refitted into an international society. Substantial outside assistance will be required, and it must come mainly from America. So vast an effort, involving a continuous stream of decisions and revisions, must be centrally guided. Cohesion, and ability to shift the whole program quickly, will be more important in the end than economy of organization.

(3) America will be dealing with an unfamiliar complex of emotions abroad and with the customary division of opinion and interests at home.

Abroad, quite apart from the obvious functions of project appraisal and screening, extraordinary decisions will have to be made. Should our authorities, for example, encourage the use of scarce materials in nonbasic goods for the purpose of building hard currency exchange (particularly where a small quantity of such materials can activate local resources on a considerable scale)? Should industrial capacity be built with our own materials to a point facilitating extensive competition with our own manufactured goods? Should simple incentive goods at times be given preference over the rehabilitation of basic industries? There will be delicate political questions, such as reluctance to make decisions damaging to a popularly elected government whose enemies suffer from no scruple. There will be separate points of honor and difficulties of method to be resolved in each country if the hoped-for benefits were not to be outweighed by resentment. Obviously, problems of this character will be peculiar to countries rather than commodities.

The home tasks are known. They include allocation, export controls to protect home supplies, the voluntary or mandatory channeling of a few materials to approved end products, public procurement and the facilitation of private procurement, expediting of storage and shipment, financing, defenses against inflation, and the accounting

for funds by both countries and products. A number of agencies will be urging more effective use of our freight cars, terminals, ships, and other physical facilities. They can hardly negotiate separate arrangements with the ODT, Maritime Commission, and Shipping Administration. Mere coordination of such countless and diverse details would be a dismaying task. It does not sound like the kind of job that one can parcel out among agencies organized primarily for other purposes with the injunction that each should do whatever fragments of it happened to correspond to past experience—except under central authority enforcing a common viewpoint. It does sound like a job requiring first-hand detailed knowledge at the top level rather than a share of the time of scattered executives. Granting the lack of complete analogy, the war was on a catch-as-catch-can basis until both suppliers and applicants were compelled to subject their data to a single process of purification, and within reasonable limits that process could be faulty without losing its advantage. The present enterprise lacks the vastness of war production but not its complexities.

This is the background of the debate on what might be called the battle of the plans. The particulars cited or others like them are analyzed in the accompanying plans, and it is out of this comparison that the following differences emerge.

2. Location of the powers over distribution

Many observers regard the allocation function as the most important to be performed under the new plan. Determination of the amount of wheat, steel, coal, and fertilizer that will be made available by the United States to its struggling associates will, at a single stroke, tend to fix or limit the importance of decisions made beyond that point. At the second level of distribution great shrewdness and ingenuity on the part of American administrators in Europe can still, of course, make the most of such supplies as are made available at the first level. It is a matter of considerable moment, nevertheless, that the various plans herewith discussed vary so widely in their disposal of the allocation power.

Three of the four plans submitted (Nos. I, II, and IV) accept in major part the principle that what is now being done should continue to be done in its present place. This means, with respect to the determination of United States availabilities, that the Department of Agriculture should have in fact the final word on food and the Department of Commerce on nonfood items. At present the legal power to issue the order is technically in Commerce, though Agriculture makes the recommendation and this is reviewed by a top interagency committee. As to distribution beyond the borders of the United States, two of the three plans in question (Nos. I and II) would continue the authority of the Departments of Agriculture and Commerce in dividing United States export allotments between the CEEC countries and the rest of the world. Differences, however, begin to emerge. One of these two plans (No. I) would require the concurrence of the State Department. The third (No. IV) would entrust the extra-United States allocations directly to what is referred to throughout this memorandum as a "new State agency." As to distribution among the cooperating European countries, one of the three plans under discussion would give final responsibility jointly to an independent

new organization and to the State Department as now constituted (No. I), another to the "new State agency" (No. IV), and the third to an independent new organization (No. II).

The fourth plan (No. III) would be none of these things. It would lift all powers from their present resting points and deposit them, with appropriate research and screening accessories, in a strong new agency. Indirectly, the agency would be empowered, with the approval of the President, to issue directives on other executive agencies. A potential check to its authority might grow out of a companion provision assigning certain blocks of commodities to the Export-Import Bank and the International Bank for financing. If matters so developed that the banks could not carry out their assigned portion of the central plan, they would in effect be exercising a veto power to the extent of the default. This latter feature, however, is not meant to balk in practice the centralization that the plan seeks in principle. Some effort was made to escape such a consequence by permitting the new agency to finance the same commodities, as well as food, fuel, and fertilizer, under certain conditions. The new corporation would be advised by a Foreign Aid Council assembled at Cabinet level. It is in the executive director of this body (serving also as chairman of the new operating agency, and in that capacity planning the entire program) that the power to issue directives would be vested. It is to be supposed, also, that his advice to the two banks would be influential insofar as it did not ask them to exceed their powers or resources.

Despite the divisive offshoot of the fourth plan, the issue of centralization is raised more acutely by the foregoing contrasts than at any other point in the diagram. The basic considerations do not have to be repeated. The Departments of Commerce and Agriculture are already dividing supplies between America and the world, and it is argued that the new program will not very often call for larger exports within any single quarter than were shipped in the second quarter of 1947. These facts in combination would seem to establish a presumption against change. The case for a change is made principally by two quite different considerations:

a. The assumption that the physical allocating task will be no greater in the future than in the past is perhaps too casual. Nothing can be more certain, for example, than that the supply of wheat that the United States must share with the world will be substantially smaller than heretofore, in the face of more exigent demands. Great store is placed by the current improvement in coking facilities, and by the increases in blast-furnace and steel-finishing capacity. There are, nevertheless, serious and definite threats to the realization of finished steel output on a comparable scale, and for the first time Europe has come forward with a schedule of requirements for steel and metallics that is keyed to ultimate self-sufficiency in trade balances rather than to spot needs. Practical or impractical, that schedule dwarfs its predecessors and sooner or later will compel decisions of great importance to the future world position of the United States. In other forms and degrees, similar questions may arise for other products, and they are not to be settled by scattered departments. America has no intention of planning the new Europe, but it has a right, bought by sacrifice, to determine the extent to which it will contribute to those countries. It will surely be found that answers to

many seemingly diverse questions will make sense only within a common frame of reference. Now there is none except that of coordinating committees. Finally, emphasis on the size of Europe's takings ignores the possibility—which some economists regard as a probability—of increasing rather than subsiding pressures within our own economy, over the next few years. The race between inflation and reconstruction can be aggravated from within, as well as from without.

The decisions looming here call for semijudicial qualities of a high order, and not merely administrative competence. More exactly, they would seem to require a greater degree of detachment from group influence, excepting that of Congress itself, than the head of an executive branch of the Government could ordinarily hope to achieve. He has legitimate political responsibilities and ambitions as well. His department is often regarded as the advocate of a sector of economic interests. In fact, the spectacle of a Cabinet officer performing judicial functions covering the whole national economy is not usual nor would it be reassuring. The pressures on him would increase more than proportionally with any increase in the tension between supply and demand. Such a situation—requiring firmness capable of denying present benefits both to ourselves and to beleaguered sister nations in the interest of maximum joint security—does not invite confidence in merely convenient solutions.

It is realized that (1) excessive detachment would be both improper and impractical, and that (2) the knowledge and judgment of departmental heads must be fully utilized and that their voices must be influential. The plans under discussion show a tendency in certain respects to embrace one extreme or the other. A better balance ought to be possible.

b. The new concept places far greater emphasis on world management and on coordination of world resources than the old. Economic plans for a score of countries and probably more are to be woven into a common plan for all of them. Is this the "new dimension" that was thought necessary in the discussion of general principles to justify a concentration of the allocating authority? Such a phrasing of the question opens up considerations that cannot be referred exclusively to experience and custom. The proponents of decentralization tend to regard any new agency as a claimant for Europe, and thereby automatically cast the executive departments in the role of judges. The advocates of a strong new agency have not been thinking of it in that light. The purpose of the emergency reconstruction program (hereafter called ERP) is to restore world stability, and it is not of determining significance that the immediate point of application is Europe. The new agency's problem is to make the most effective use of available resources, and not to champion Europe. The latter can be done by the State Department, and the appearance of two advocates is in itself a stricture on the plan that offers them. The final authority will retain for America and take away from America, within the limits of legislative discretion and public tolerance, on the basis of long-range rather than passing needs. It will finally have to get away from interim tests. It might decide that metallics are to be kept here and wheat shared liberally because long-run equilibrium was thought to be best promoted in that manner.

The essence of the case made by those desiring centralization of the allocating powers, therefore, is that such powers should not and cannot

logically be separated from responsibility for results. Nor do they omit all reference to the fact that other nations with quite contrary objectives are opposing our efforts with a blind and unvarying discipline.

3. *Financing*

The plans show wide disagreement on this subject. The most important aspects are (a) the determination of needs and terms, by countries, and (b) performance of the financing function. They will be treated jointly.

Plan I places both funds and responsibility in a new reconstruction agency. Plan II requires such an agency either to finance or to arrange for the financing of approved European purchases. The intention is that facilities of the Export-Import Bank and the International Bank are to be used to the fullest possible extent, under directives from the new agency when possible. If, or to the extent that, the banks are not able to finance an approved program, the new agency itself may make or guarantee necessary loans. Plan III (see Proposed Principles and Organization for Any Program of Foreign Aid) distributes the responsibility, assigning capital equipment to the International Bank, raw materials to the Export-Import Bank, and food, fuel, and fertilizer (which have been called the "body and soul" commodities) to a new corporation, with the suggestion of limited emergency powers to aid in the production of these items abroad by the provisions noted below. This plan assumes that the bulk of the approved dollar requirements for capital equipment and raw materials can be met, for the limited period contemplated, by the two autonomous banks, despite certain fund and policy limitations, because of the relief afforded their exchange positions by the "F-F-F" grants and the privilege accorded the new agency to use a portion of its capital on incentive goods and emergency requirements of machinery and equipment. These emergency powers, if added to a capitalization that can be increased by authorization to borrow from the Treasury, serve to provide a more flexible approach, under defined general functions and limitations, than those of the other plans. It relies on a realistic screening of requirements in terms of availabilities and on the momentum of private capital investment, once the recovery program is under way. Plan IV would have a new State Department agency negotiate specific terms of assistance (under NAC guidance) and certify the resulting requirements to the Treasury Department.

Disagreement seems to be conspicuous over the roles most suitable to the two banks. All plans would expect to use them. Plans I and II apparently take for granted that it would be unsafe or impracticable to allot specific types of products to them for exclusive handling. Plan III shows an obvious desire to give them such responsibility but finally leaves the way open to supplementary action by the new agency. Perhaps the best way to focus the problem, therefore, is to explain the principal misgivings over plan IV. They may be summarized as follows:

a. The operations of the banks are at present limited by their charters and policies. Loans are expected to be on a reasonably sound and repayable basis. If the banks begin to operate on non-commercial or nonbanking criteria, the soundness of past loans is endangered and the banks' whole functions are changed.

Plan IV, as stated, expects that grants by its new agency for food, fuel, and fertilizer (also incentive goods and capital equipment on an emergency basis) will so relieve the pressure on the dollar reserves and newly earned export credits of beneficiary countries as to refurbish their borrowing capacity. There has also been a possibility that, in the case of the Export-Import Bank, Congress may relax the present rule on "reasonable assurance of repayment." Doubts have been expressed as follows as to the pros and cons of this proposal:

(1) If the rule is not relaxed:

(a) There is no assurance that funds, borrowing capacity, and strategic requirements will match. Data available to date suggest that even over-all the present resources of the banks might be taxed in their respective areas of responsibility unless supplemented materially by those of the new agency along the lines indicated above. (See analysis of dollar-commodity requirements in Preliminary Report No. 9, Breakdown of European Requirements by Major Categories.)

(b) Individual countries in the weakest financial position may be best helped by grants of equipment and raw material funds on a scale greater than the new agency will be technically permitted to meet.

(c) However reluctantly, some aid may have to be given on strategic and speculative grounds rather than be subjected to the tests of good investment. Complete division between sound and unsound credits on a commodity basis within the same bankrupt economy is artificial and will sooner or later be embarrassing. It calls for an excessive amount of subdivision. In practice, it seems probable that no banker would finance some of the projects that would be defensible from a tactical standpoint.

(d) Security of bank loans will depend on the continuity of congressional appropriations. The latter will be short-term and the loans long-term. There is no special logic or necessary permanence in such an alliance. The plan should not bind the Recovery Administrator at the very outset on matters that he cannot possibly foresee.

(e) It is doubtful if any plan of financing established now will be recognizable a few years from now. The situation is notably fluid, with real requirements untested.

(f) The advantages of the plan are (i) that it would force European petitioners to screen their requirements more carefully than if no repayment were expected, (ii) that borrowers would be able to deal with a single source in financing specified types of goods, and (iii) that it impounds funds which can be used for reconstruction.

(2) If the rule is not relaxed:

(a) The charter of the Export-Import Bank might have to be altered to (i) relieve it of the "repayability" standard, and (ii) make it subject to directives of the new agency head acting for the President. There is an extremely useful place for an institution of the present autonomous type. It might conceivably be able to add a speculative function to its present investment function without confusion, but a double life is not too easily led by even a corporation. Its judgments would be made by two imperfectly related standards—soundness and reconstruction.

It is possible, of course, that the stress on the antipathy of functions is overdone, particularly in view of the supplementary help which may be given by the new agency. Perhaps very nimble talent

could keep both balls in the air at the same time, but it would be unusual.

(b) A collateral result would be the establishment of two second-mortgage or charitable institutions. The actions of any new agency, by common consent, are to be determined solely by their relevance to reconstruction.

b. The adequacy of financial resources for the assigned tasks is not as yet clearly determinable. The International Bank must rely for its dollar funds on the sale of its debentures, and public confidence might be shaken by its acceptance of a commitment to underwrite any foreign expansion deemed by a "relief" agency (the connotation at least cannot be escaped) to be a worth-while reconstruction—as distinct from investment—risk. The resources now at the disposal of the bank are reported as being in the neighborhood of 2.7 billion dollars, but the portion of this sum that will be available to the 16 cooperating countries and Germany is still unknown.

The resources of the Export-Import Bank are expected to total about \$1,000,000,000 by the end of 1948, but again not all of this sum will be available to Europe. Congress can, of course, enlarge its capital and borrowing power by amounts that would vary depending on whether or not its lending standards are also relaxed.

It is still not possible to estimate the extent to which recovery needs would be covered by the respective resources of the two autonomous institutions. CEEC specifications are still far from complete. Available evidence and inference on requirements by commodities and countries, however, suggest the possibility of a sizable deficiency. (See analysis of dollar-commodity requirements in Preliminary Rept. No. 9.)

Conclusion: Critics of plan IV do not at all oppose use of the banks. They recognize and even urge that the first instrument is part of an ambitious international plan to which we are deeply committed, and that the second has already acquired indispensable experience in evaluating and underwriting foreign enterprise. These are powerful considerations, and no abstract fear about their fitness for the present task can be given serious weight. It is the rigidity of the plan that disturbs the critics. The European recovery program will shift form and scope continuously. Chances may have to be taken. A formula that would use the banks to the limit of their proper and well-managed capacity and then round out the contours of an effective reconstruction plan directly if necessary seems realistic. As a means of doing so, critics of plan IV would place residual powers, on a somewhat more liberal scale than seems now to be contemplated, in the hands of a body which would judge and be judged by the effectiveness of its contribution to reconstruction and would not, like the banks, be bound legitimately by the security of its loans.

These considerations lead to the idea that the banks may fulfill their proper role, as indicated in plan III, if and when the conditions for internal stabilization of currencies have been established in western Europe. The proposed emergency powers, added to the coverage of food, fuel, and fertilizer needs, on a noncommercial basis where necessary, would seem to afford the more useful approach to what is bound to be an experimental phase in European reconstruction.

4. *Foreign organization*

Disagreement on the character, powers, and alinements of a United States administrative structure in Europe is complete. All plans differ in one or more major respects.

Plan I would rely largely on the present European organization of the State Department strengthened for the purpose. The United States representatives in Europe of the new Washington agency would have principally a coordinating function. Plan II would place the entire European end of the program in the new agency's foreign staff, almost bypassing the State Department except for undefined questions of major policy. The authors of plan III are still considering the question and have left it for development by the Emergency Foreign Reconstruction Authority under the policy guidance of the Foreign Aid Council. Plan IV turns again to the State Department, but endeavors to bridge the crucial gap by lodging a new agency in the State Department, responsible only to the Secretary. Abroad it would maintain a specialized staff in the various missions reporting through and under the authority of the Ambassador.

The merits of these diverse plans cannot be discussed apart from the overriding question of the location and powers of the new agency itself.

5. *Organization, powers, and limitations of the new agency*

Settlement of this question would go a long way toward settling many of the others. Conversely, it is the intrusion of subsidiary questions that makes the problem of organization so difficult.

Plan I lays great stress on the planning, coordinating, expediting, financing, and auditing responsibilities of the new agency, but gives it little outright authority. The language of plan II likewise seems to make the new agency (possibly to be incorporated) responsible for management of the program, after, however, placing the vital allocation and related controls elsewhere. Plan III vests virtually all authority in the new agency, subject to general policy control by the President, advised by the Foreign Aid Council. There is a possible qualification in that its allocations of capital equipment and raw materials would be ineffective if the International Bank and the Export-Import Bank proved unable or unwilling to finance their share of procurement. However, the degree of United States influence in the International Bank and the excellent record of the Export-Import Bank so far, make this an unlikely obstacle. The latter is, after all, an agency of the United States, albeit an "independent" agency, governed only by act of Congress. Plan IV relies on its new State Department agency for almost all policy and administrative action, the notable exception again being the power to determine United States domestic and export availabilities.

All plans provide for administrators and advisory bodies, but disagree on their composition, functions, and relations. In the main they tend to center in an administrator whatever powers they wish the new agency to exercise, relegating boards and committees to advisory roles except in a few instances for questions of major policy. Plan III sets up over its Board of Directors a Foreign Aid Council chaired by the Secretary of State and made up of Cabinet officials and the Directors of the Authority's Board. The Chairman of the Authority's Board would also serve as Executive Director of the

Foreign Aid Council which he would continually consult. In the latter capacity he would issue directives to other agencies, but only on the signature of the President.

The most vital questions arising from this diversity are those relating to (a) location of the postwar and recovery powers permitted by Congress, (b) protection of the prestige of the Secretary of State in his foreign relations, and (c) concentration or dispersion of financial responsibility.

a. Decisions on organization must rest on the practicalities of the immediate situation as well as on principle. Delegations of authority are not always final. This is particularly the case with important new types of governmental activity. For some time after an assignment of authority, officials and departments will be discovering ways in which their interests are affected or will see their strong convictions inadequately considered. Many such disagreements must be settled in the office of the President. The original decision merely fixes the bargaining position of various officials in the first instance. Under plan I, II, and IV, the respective heads of the several allocating departments would be entranced behind grants of final administrative authority, and the agency actually responsible for reconstruction would have to attack from an inferior position. Under plan III, in varying degrees, the departments best informed on American production and operating requirements would be the appellants. The initiative rests with the chairman of its board, as Executive Director of the Foreign Aid Council for shaping the programs of foreign aid, as well as for screening them and seeing that they are carried out. Under any plan, the final test of strength would take place in the office of the President. But no President anxious for the continued support of Congress would fail to take seriously an agency like that which it is proposed to create by risking the resignation of its chairman and possibly its board.

b. From procurement and allocation in this country to the appraisal of requirements and rendering of technical aid abroad, the reconstruction authorities have a mammoth business enterprise on their hands. Yet that enterprise is at the same time inextricably woven into the foreign policy of the United States. There is need, therefore, for an essentially business organization which respects at all essential points the prerogatives of the Secretary of State.

This is not easy to contrive, and all of the plans have encountered conscious difficulties with it. The foreign missions as well as the Department of State itself are at present neither organized nor staffed to assume the new burdens. They will have to be supplemented with more specialized personnel. As to this, all plans are agreed. They even agree for the most part that the new units should be built physically into our foreign embassies and have full use of the Department's administrative facilities. But they break completely on questions of authority and alignment. Some would all but set up duplicate structures, with the head of one reporting to the Secretary of State and the head of the other reporting to the Recovery Administrator in Washington (independently of the Ambassador except on matters of "major policy"). At the opposite extreme, plan I would place almost all operations under the regular United States mission heads, reserving for the representatives of the new Washington agency only the duties of coordination and of assisting in the negotia-

tion of multilateral agreements; while plan IV would resolve the difficulty by building the Washington headquarters of the new agency into the State Department itself with a nearly autonomous status.

While there is obviously no good solution, students of the four plans have offered stronger objections to some features than others:

(1) Concern is especially evident over the proposal to set up two parallel and mutually independent establishments to represent the interests of the United States in foreign countries. Natural frictions are accentuated, confusion is caused among the officials and peoples of the countries to which the separate representatives are accredited, and efforts are not infrequently made by artful persons to exploit the division.

(2) In the circumstances now obtaining, unusual care should be taken to uphold the prestige of the Secretary of State. It is true that the Foreign Service of the United States represents all the Government and not merely the Department of State, but public opinion both at home and abroad regards the Secretary of that Department as the titular head of the Foreign Service. No action should be taken that might be construed as a lack of confidence in his policies and competence. A workable solution of the first problem should also solve the second.

There are probably precedents for many kinds of relationships. After the end of the war one United States official abroad enjoyed almost complete autonomy including the privilege of signing for the United States without reference to any Ambassador or to the Secretary of State. More frequently, members of a governmental agency other than the State Department, are in effect assimilated into Embassy staffs, receiving their instructions from their own departments after clearance by the State Department. If a disagreement should arise between the interested Cabinet members, it would have to be settled by the interdepartmental board governing the Foreign Service or ultimately by the President.

It is important to remember for this purpose that United States ambassadors are representatives of the entire Government and not merely of the State Department. They are appointed by the President and not by the Secretary of State. In the present case the contemplated United States representative of the new agency would acquire a similar ambassadorial status in a similar manner. But there are many types of negotiations of a business nature, or even those which produce quietly fruitful results in getting conformity with certain conditions which promote self and mutual help that can only be conducted in an atmosphere free of diplomatic note writing and all the attendant issues of prestige. It seems important that for these purposes the representative of the new agency operate with some freedom under responsibility to the chairman of the Authority, with only the duty of keeping the embassies and mission of the United States fully informed.

The culmination of this reasoning under some plans is that the new recovery units within the several embassies would be reporting to and receiving instructions from the Washington administrator through the Department of State except to the extent that clearance was waived on matters not seriously affecting major policy. Any disagreement would be settled, under most plans, by the interdepartmental board or by the President; under plan III, it would be settled

at the level of the Foreign Aid Council or by the President. This balance between the established and emergency organizations could easily be altered by a few degrees at the will of the two principals or by direction of the President. But it is a balance that is necessary. Every government today has to gear its economic policy into high diplomacy.

II. PRESENT GOVERNMENTAL ORGANIZATION AND ADMINISTRATION BEARING ON FOREIGN AID AND RECOVERY PROGRAMS

While there is no single United States agency to administer foreign aid and recovery at the present time, there are a number of separate programs in operation which carry out certain of the functions relating to foreign aid. These are:

- (1) Occupied areas programs.
- (2) Foreign relief program.
- (3) Greek program.¹
- (4) Export-Import Bank program.
- (5) Treasury loan to Britain.
- (6) Credits in connection with surplus property sales.
- (7) Export control program.

At the present time the administration of these programs is spread over a number of different agencies and is carried out by varying methods and procedures. The high lights of these programs are set forth herein to show how the present programs relate to any future programs in this field.

1. OCCUPIED AREAS PROGRAMS

The administration of the occupied areas is still under the Department of the Army and no definite date has been fixed for the proposed transfer to the Department of State. The Department of State participates, however, in determining policy for occupied areas. It has a small interdepartmental coordinating staff of 13 persons under the Assistant Secretary for Occupied Areas. Major departmental staffs are in the Office of Intelligence Research and Office of Economic Security Policy. Small staffs of 10 to 15 people are in the Geographical Offices and in the Office of Information and Educational Affairs.

The Department of State uses the Advisory Committee on Occupied Areas (meeting once or twice a month) as a device for assisting it to formulate policy among civilian agencies (principally the Departments of Commerce, Agriculture and Treasury).

In the case of the Japanese-Korean occupation, the State Department is advised by the 11-nation Far Eastern Commission. In the case of German-Austrian occupation, international negotiations on the political level are undertaken by the Council of Foreign Ministers. The Four-Power Control Commissions operate to reach agreements, where possible, on working policy coordination in Berlin and in Vienna.

Administration within the Department of the Army is handled primarily by the Civil Affairs Division, which reports to the Under

¹ The Greek program includes the civilian program under the Greek-Turkish Assistance Act (Public Law 75) as well as the Greek end of the program of the Foreign Relief Assistance Act (Public Law 84). The Turkish program is omitted from discussion because it is almost entirely military.

Secretary and the Secretary of the Department of the Army, which have small staffs working directly on occupation areas problems. Procurement and shipping are handled by the Services of Supply and Procurement, and by the technical services. In some cases, the responsibility for actual procurement and shipping is delegated to the Commodity Credit Corporation and the Bureau of Federal Supply. Primary responsibility for the purely military and strategic aspects of the occupation resides in the Assistant Chief of Staff for Plans and Operations. Coordination between Departments of State and Army is formalized in the State-Army-Navy-Air Force Coordinating Committee, which meets frequently and prepares policy papers for transmission to the theater commands.

Overseas administration of civilian affairs in occupied Austria is under a high commissioner who is at the same time commanding general of military forces, reporting to the Joint Chiefs of Staff. In effect, the United States participation in Austrian occupation is still under the Department of the Army. Quadripartite decisions are taken in the Allied Commission for Austria. Responsibility in Germany lies in the commander in chief, European command, reporting to the Joint Chiefs of Staff and in effect to the Department of the Army. For economic affairs, an effective joint British-American economic agency has been established to supervise German governmental agencies dealing with economic affairs for the bizonal area. The Quadripartite Allied Control Council is no longer an effective governing body.

In Japan responsibility is centralized in the Supreme Commander for the Allied Forces, who receives instructions from the Joint Chiefs of Staff, but is advised by a four-power Allied Council for Japan. In case of disagreement, the Council can refer the matter to the Far Eastern Commission. In Korea, the United States zone is governed by the United States forces in Korea, which is technically under SCAP (General MacArthur) but which deals directly with the Joint Chiefs of Staff and the Department of the Army in many matters.

Political advisers designated by the State Department, with staffs to a total of 150 to 200, are attached to the United States field occupational organizations. These advisers receive their instructions directly from the State Department and communicate directly with the Department. They play, generally, an advisory role but assume operational responsibilities with respect to the conduct of the foreign relations of the occupied countries.

2. FOREIGN RELIEF PROGRAM

The President delegated his powers under the Relief Assistance Act of 1947² to the Secretary of State. Actually existing programs relate to only four countries—Austria, Trieste, Greece, and Italy. Funds have been set aside for a China program. Except for coal and pesticides, very few commodities outside of food items are involved in the program. The United States Army assists in screening supplies for Austria and Trieste. The Agriculture Department assists the State Department in screening food requests. The overseas relief missions are attached to the embassies, in the case of Italy and China, and to the special United States authorities in the case of Trieste and

² Public Law 84, 80th Cong.

Greece. They make recommendations as to the validity of requirements submitted by the foreign governments.

Practically all procurement in the United States is handled through the procurement services of the Army for Trieste and Austria, and through the Bureau of Federal Supply and the Commodity Credit Corporation for the other countries. In fact the Army, in connection with its procurement responsibilities, uses the other two procurement agencies mentioned, in a great many cases. However, in the case of coal for Italy, purchases are made by the Italian Technical Mission in this country but these purchases are closely supervised by the State Department. Except in the case of Italy, Greece, and China, agencies of the foreign governments accept delivery in the receiving country and arrange for distribution. In the case of Austria and Trieste, occupation authorities perform these functions. In all cases, the overseas missions watch closely the distribution of United States supplies.

As has been indicated, the main administrative responsibility in the United States resides in the State Department. Many offices within the State Department participate in functions relating to the program.

However, the primary offices concerned are those of the adviser on relief and rehabilitation attached to the Assistant Secretary for Economic Affairs, who, with a small staff of 10, supervises the over-all administration of the program and coordinates the administration of the program within the Department, and the Procurement-Control Division, with a staff of 8, which handles technical and operating aspects of the procurement operation.

The Department of Agriculture, in addition to screening and procurement functions, advises generally regarding agricultural developments in the countries concerned, since continuous pressure is exercised upon the foreign governments to increase their domestic production. The role of the Department of the Army, as has been mentioned, is broad in relation to occupation areas of Austria and Trieste but minor in connection with other areas. The Department of Commerce participates in the program only in the administration of export controls. The Treasury Department, aside from its procurement operation, provides policy advice on the international financial aspects of the program, but has little to do with its administration.

There is a special interdepartmental committee on the foreign-aid program, which was active in the initial stages of the program but is now inactive. The National Advisory Council in the initial stages considered the international financial aspects of the program and offered advice on this point. Occasional matters relating to the program are discussed by the Executive Committee on Economic Foreign Policy.

A very important part in the administration of this program is the negotiation of international agreements with recipient countries. These agreements are developed and negotiated, principally in Washington, by the State Department with representatives of the foreign governments concerned. Such negotiations as occur overseas are handled by the field staffs described above. The major portion of the United States effort to place conditions upon the granting of relief in order to secure cooperative recovery action on the part of the foreign governments is directed toward the provisions of these agreements and the way in which they are executed by the foreign

governments, in conformity with the conditions laid down by Congress in Public Law 84 of the Eightieth Congress, first session (May 31, 1947).

3. GREEK PROGRAM

The Greek program is being undertaken under the authority of two separate acts—the Greek-Turkish Assistance Act³ of May 22, 1947, and the Relief Assistance Act⁴ of May 31, 1947. As of the end of September, only food items have been supplied under the latter program, but fertilizer and medical supplies will also be provided.

Of the \$400,000,000 appropriated for aid to Greece and Turkey, \$300,000,000 was earmarked for Greece.⁵ Of this amount, one-half was allocated to the military program and one-half to the civilian program. Only the latter is pertinent to the present analysis.

1. Administration in Greece

The chief responsibility for carrying out the program in Greece rests with the American Mission for Aid to Greece (AMAG) under Dwight P. Griswold, with a total strength of 128 personnel. The mission is separate from the Embassy staff and does not report to Washington through the Embassy. However, the Ambassador is kept informed of programs and activities and continues to have responsibility for negotiations with the Greek Government in matters of long-run significance. Certain difficulties have been reported currently in the press, as arising from this division of responsibility. The undertakings and agreements under which this program operates are set forth in two intergovernmental agreements and an exchange of notes which were negotiated for the United States by the Ambassador.

The civilian program, under AMAG administration, consists of the following:

(1) Advice to the Greek Government on such matters as the budget, currency reform, governmental organization and administration, foreign-trade control, agriculture, shipping, and public health. The mission exercises, sometimes advisory, sometimes veto, and sometimes supervisory controls.

(2) Supply of materials needed for public works, agriculture, public health, and other projects developed in collaboration with the Greek Government.

(3) Detail of personnel to work in various administrative branches of the Greek Government. A degree of supervision is exercised through them.

2. Procurement of supplies

Procurement in the United States under the Greek-Turkish aid program is undertaken for the most part by private Greek importers. However, all purchases with United States funds must be approved in advance by the AMAG, which participates actively in the Greek Foreign Trade Administration which has been set up to direct and control all exports and imports and the use of foreign exchange. The Bureau of Federal Supply and the Commodity Credit Corporation

³ Public Law 75, 80th Cong.

⁴ Public Law 84, 80th Cong.

⁵ \$100,000,000 of the appropriation under the Greek-Turkish Assistance Act was allocated to Turkey. Since this program is primarily of a military nature, its administration is not pertinent to the present discussion. The American Ambassador to Turkey has been named chief of the Turkish Mission, under whom there is a small staff of representatives of the United States armed forces.

also handle a small portion of the procurement program. (For example, in the case of coal, the BFS acts as procurement agent for the Greek Government.) The supplies provided under the general Relief Assistance Act are procured by the regular United States procurement agencies (the Commodity Credit Corporation, the Bureau of Federal Supply, and the procurement services of the Department of the Army).

3. *Administration of the Greek program in the United States*

The Greek-Turkish Act placed administrative responsibility for the program in the President, who delegated his responsibility to the Department of State. As has been indicated, the chief operating responsibility in the field is exercised by the American Mission. The organization within the State Department is in the nature of a back-stop for the mission. Many offices within the Department participate in the program under the coordination of the Coordinator for Aid to Greece and Turkey reporting to the Under Secretary. The Coordinator has a staff of approximately 15. Technical procurement coordination is handled by the Division of Procurement Control of the Department, under the general supervision of the Coordinator.

There has been a delegation of responsibility for operations on the Greek road-building program to the Public Roads Administration. Under plans approved by the mission, the United States Army Corps of Engineers handles other construction programs and for this purpose maintains an office in Greece. The Department of Agriculture, although given no direct responsibility for the administration of agriculture programs in Greece, serves in an advisory capacity. Advice with respect to the monetary and financial problems in Greece is provided by the Treasury Department. The Commerce Department advises with respect to the conduct of foreign trade, particularly that carried on between private American and Greek exporters and importers.

There are two special interdepartmental committees concerned with the Greek program—the interdepartmental committee on the Greek aid program, and the Export-Policy Committee. The first committee was used considerably in the early days to work out the interdepartmental working and policy program, but now meets just once a month, and is used primarily as a device for circulating information and reports. In most cases, coordination between departments is obtained by direct contacts. The Greek Export-Policy Committee is called on to correct bottlenecks in shipments from this country.

In addition, the executive committee on Economic Foreign Policy and the N. A. C. occasionally consider policy matters relating to the Greek program, and the War Department has a special relationship to the AMAG in carrying out the military program in Greece.

4. THE EXPORT-IMPORT BANK PROGRAM

Legislative authority

The Export-Import Bank is now operating under the Export-Import Bank Act of 1945⁶ as amended by Public Law 89 of the Eightieth Congress which reincorporated the bank as a Federal corporation as required by the Government Corporation Control Act. The present

⁶ Public Law 173, 79th Cong.

charter expires in 1953. This legislation empowers the bank to do a general banking business except that of circulation, "to aid in financing and to facilitate the export, import, or the exchange of commodities between the United States or any of its Territories or possessions and any foreign country or the agencies or nationals thereof." It is declared to be the policy of the Congress "that the bank in the exercise of its functions should supplement and encourage and not compete with private capital and that loans so far as possible * * * shall generally be for specific purposes and in the judgment of the Board of Directors offer reasonable assurance of repayment."

The management of the bank is vested in a board of five members not more than three of whom shall be members of any one political party. Four of the members, one of whom is designated as chairman, are appointed by the President by and with the advice and consent of the Senate, while the fifth is the Secretary of State. The terms of the appointed directors are 5 years.

The legislation states that the Export-Import Bank shall constitute an independent agency of the United States and neither the bank nor any of its functions, powers or duties shall be transferred to or consolidated with any other department, agency, or corporation of the Government unless by specific legislation.

The corporation has a capital stock of 1 billion dollars subscribed by the United States and is authorized to borrow from the Treasury up to 2½ billion dollars.

Current operations

The bank has obligated all of its lending authority except approximately \$510,000,000. Since the heavy loans recently contracted do not generally require the beginning of the repayment of principal until 1950 (and then less than \$200,000,000) a year will be repaid, it is clear that very little new lending can take place during the European recovery program period without legislative increase of the bank's lending authority.

It is impossible to specify in any definitive way the types of loans which the bank makes, except that (1) loans are made for specific purposes; and (2) loans are now rarely made for longer periods than 10 years. Applicants may either be domestic exporters or foreign governments or importers. In any case all loans must be guaranteed by the foreign government. In some cases collateral is required, but generally it is preferred to rely exclusively on the credit of the foreign government and business enterprise. Generally only short-term loans are made for consumer goods.

Each individual transaction is investigated from the standpoint of the soundness of the enterprise and the ability of the Government to secure foreign exchange. Much reliance in this connection is placed upon the National Advisory Council and its staff. It is the general policy of the bank to make loans which have the effect of encouraging exports to hard-currency countries. So far as possible the bank encourages private participation in its loans, although it no longer favors guaranteeing private loans. However, its portfolios are open for inspection by commercial banks who from time to time take over certain of its loans, generally when the final maturity date is no longer than several years. Also in the case of some commodity loans the Export-Import Bank uses the facilities of commercial banks for

making funds available to borrowers, etc. In most cases the bank insists that the United States exporters assume 25 percent of the total obligation and also that the foreign importers make a cash down payment of approximately 25 percent.

Administrative control

The board of the bank prides itself on its independence; yet it is desirous of cooperating with the President and the National Advisory Council. In addition, it seeks the State Department's advice with respect to the political desirability or undesirability of prospective loans. The board would be unlikely to approve a loan which the President or the National Advisory Council or State disapproved, but it reserves the right to disapprove of loans even though these agencies favor them. The President has on a number of occasions requested the bank to make a loan, investigate a loan, or establish a general line of credit.

The annual budget of the corporation must be submitted to Congress through the Executive Office of the President and specific approval must be given by Congress to the administrative budget.

The legislation establishing the bank sets up an advisory committee which in fact contains the same membership as the National Advisory Council with the Chairman of the Export-Import Bank as chairman of the committee rather than the Secretary of the Treasury. In practice this committee has never met since the other agencies represented on the committee feel that there is no need to duplicate the National Advisory Council.

Under the Bretton Woods legislation, the National Advisory Council is given authority to "coordinate" the operations of lending agencies of the United States, including the Export-Import Bank, to secure the general conformity of their operations with our international financial policy. In practice, many prospective loans are referred to the Council for advice.

The internal organization of the bank is obscured by the fact that the board members participate to some extent in operations, although as board members they have no fixed responsibilities. The chairman of the board is the president of the corporation and is, except for the exception just noted, the director of the staff of the bank. The staff consists of approximately 125 individuals.

Problems concerning the bank arising under the European recovery program

(1) Whether the bank's lending authority should be increased. Obviously, unless this is done, the bank will play only an insignificant role.

(2) Whether to limit the bank's lending operations to particular types of loans.

(3) Whether all exports financed by the bank should be programed in advance by the agencies handling the foreign recovery program.

(4) The extent to which the bank in its operations should be subjected to the over-all control of a central foreign recovery agency or council.

5. TREASURY LOAN TO BRITAIN

The \$3,750,000,000 loan to the United Kingdom was made pursuant to the Anglo-American financial agreement of December 6, 1945, approved by joint resolution of Congress which became law on July 15,

1946.⁷ Negotiations leading up to this agreement were conducted between the United States and the United Kingdom representatives over a period of several months. The United States was represented by the agencies represented on the National Advisory Council—the Departments of Treasury, State, and Commerce, the Federal Reserve Board, and the Export-Import Bank. The Secretary of the Treasury signed the agreement on behalf of the United States, and the Treasury Department in consultation with the National Advisory Council has taken the lead in administrative determinations relating to the loan.

The chief United States administrative responsibility in connection with the agreement has been the continuous survey of the United Kingdom's financial position in order to determine the extent to which the purposes of the loan agreement were being fulfilled.

In accordance with the agreement and the joint resolution, a general line of credit was established in the accounts of the United States Treasury in favor of the United Kingdom. As the need arose, funds were drawn from this account by the United Kingdom and placed in United Kingdom accounts in United States banks.⁸ These funds were used, as provided in the loan agreement, for purchases within the United States, for purchases outside the United States where dollars are required, and to maintain the exchange convertibility of the pound sterling. There were a number of undertakings on the part of Great Britain to move in the direction of a more free and nondiscriminatory regime in international trade and finance. No restrictions were placed upon the United Kingdom's use of these funds except that they were not to be used to cover past transactions and except as the exports of commodities from the United States were limited by export controls.

United Kingdom importers draw upon the funds for actual procurement in this country and abroad under programs approved by the United Kingdom government. In a few instances, purchases within the United States were made through the Commodity Credit Corporation acting as agent for British importers. There was no appropriation in connection with the establishment of this line of credit as it was handled as a public debt transaction by a credit established with the Treasury.

6. CREDITS IN CONNECTION WITH SURPLUS PROPERTY SALES

There still remains approximately \$1,000,000,000 of surplus property outside the United States. Under the Surplus Property Act of 1944, as amended, the State Department is authorized to enter into agreements providing for the disposal of this property to foreign governments and to extend credits in connection with such sales. Credits extended have ranged from 6 months to 30 years.

In practice, property sales are made for dollars, real estate, foreign currencies to be used to cover regular United States Government expenditures, and for educational purposes in line with the Fullbright amendment. It has not been found possible to exchange property for strategic materials since the foreign governments desire to sell these materials for dollar exchange and no agreements for scheduled

⁷ Public Law 509, 79th Cong.

⁸ As of August 20, 1947, when the account was frozen, \$400,000,000 remained in this Treasury account.

deliveries were incorporated in the agreements. A number of agreements have been entered into providing for the handling of funds set aside for educational purposes. These agreements are negotiated by the overseas staffs of the Foreign Liquidation Commission, which is separate from the embassies and negotiates the agreements independently of them. The overseas staff numbers four or five hundred. Central European headquarters are located in Paris and offices are maintained in various other locations which are strategic in the sales of surpluses.

Regulations with respect to the handling of local currencies accepted in payment for surplus property are issued by the Treasury Department.

The War Assets Administration is authorized to extend credits in connection with sales to foreign governments of surplus property located in this country. Negotiations with foreign governments are concluded in this country. Arrangements are made to coordinate such sales and credits with those of the Foreign Liquidation Commissioner. Little progress had been made in foreign disposal programs by WAA as of recent date.

Under the Merchant Ship Sales Act of 1946, the Maritime Commission is authorized to extend credit in connection with the sale of Government-owned ships to foreign countries on terms no more favorable than those extended to United States purchasers. Negotiations are conducted in this country. For a considerable period during the past fall and summer, foreign sales, except of tankers, appear to have been held up.

EXPORT CONTROL PROGRAM

Export controls, both on the restrictive side and the positive side (export priorities or set-asides), should be referred to in the present setting. In addition to providing a technique for implementing commitments undertaken in connection with specific aid and recovery programs, they may be administered in such a way as to channel such commercial exports as are permitted to particular countries for particular end uses—provided that the importing country has available dollar exchange. By restricting exports to certain countries or for certain nonessential end uses, they increase the quantities available to other countries for essential end uses. This technique of aid and recovery is particularly effective when linked with international allocations as now practiced by the International Emergency Food Council and the European Coal Organization. Export priorities or set-asides are even more effective, but have been used only in the case of tin plate for food preservation programs, and nitrogenous fertilizer.

As a result of legislation enacted during the Eightieth Congress and the action of the executive branch, few of the wartime controls are now being exercised. The principal exception is export limitations which apply to approximately 20 percent of current total exports.⁹ Although present statutory powers¹⁰ provide for considerably broader control powers than those now being exercised, these powers expire, with few exceptions, by the 1st of March 1948.

⁹ It has been estimated by the Department of Commerce, however, that controlled exports would be twice as great in the absence of controls.

¹⁰ See pp. 186-190 of the European recovery program handbook (compiled by the staffs of the Foreign Relations Committee of the Senate and the Foreign Affairs Committee of the House) for text of statutes.

Certain emergency or wartime powers are still being exercised over domestic rail transportation and the present statutory power in this field is broad. There is a limited use of power to establish export priorities or set-asides. In the case of direct procurement for export by United States Government agencies, and the charter of United States owned merchant ships,¹¹ moreover, a form of control is being exercised.

There are certain other control powers now authorized to a limited extent and exercised sparingly, which have an indirect bearing on foreign aid and recovery programs. Among these are import quotas which have the effect of increasing the total quantity of world supplies of scarce commodities available for needy countries, limitations on agricultural production, price-support programs having the effect of increasing agricultural production, export subsidies in the case of domestic surpluses of agricultural items,¹² the domestic allocation of a few commodities which are being exported, the production subsidy on malleable or foundry-grade pig iron, and the regulation of trading in the commodity exchanges. Also deserving of mention are occasional informal exemptions from possible prosecution under the anti-trust laws in the case of measures taken collectively by an industry to cooperate in a foreign-aid program or to cushion the domestic effects of such a program. There follows an account of the more important of the controls now being exercised and the method of their administration.

Export controls are now being used to determine the total quantity of the exports of particular commodities which leave the country, to direct the flow of exports to particular countries and in some instances to particular end uses within those countries, and to determine the distribution of export business among United States suppliers and in some instances among procurement agencies and foreign consignors.

The chief purpose behind these controls in addition to those cited above is to protect the domestic economy by limiting the total amount of scarce commodities—those included in the so-called positive list—which leave the country. The positive list includes meats, edible oils and fats, butter, grains, feeds, inedible oils and fats, fibers, lumber, petroleum, iron and steel, aluminum, nonferrous metals, machinery, railway cars, coal-tar products, medicines, basic chemicals, paints, fertilizers, and soap. Exports of commodities on the positive list are controlled for all countries except Canada. However, in the actual issuance of licenses and the setting of over-all quotas on a quarterly basis, support is given to United States supply commitments and policy with respect to particular countries, and limits are placed upon exports to other countries, such as Spain¹³ and Russia. More than two-thirds of the exports of commodities on the positive list moved to Europe in July 1947, whereas only one-fourth of the exports of commodities not under control was shipped to Europe.

A very limited number of controls over the allocation of domestic production is exercised in order to force exports which would not be made without controls. The only instances of this are tin plate, nitrogenous fertilizer, and machinery for the production of tin plate in Indonesia—a large portion of which is imported into the United

¹¹ The charter power expires March 1, 1948.

¹² 7 U. S. C., 1940 ed., 612c; 56 Stat. 775 (1944).

¹³ All exports to Spain require a specific license. But in practice screening has not been particularly severe except for items for military end uses. The Russian limitations appear to have been mainly informal.

States.¹⁴ However, the existence of limited powers to force exports has in some instances enabled the Department of Commerce to expedite export shipments on a voluntary basis.

Under existing legislation, complete authority to limit exports is provided by the Export Control Act of 1940 as amended.¹⁵ The Second Decontrol Act of 1947¹⁶ extended this authority to February 29, 1948. Authority to allocate domestic production for export purposes is provided by title III of the Second War Powers Act,¹⁷ as restricted and limited by the Second Decontrol Act. This limits export production allocations to tin, nitrogenous fertilizer, exports which will facilitate the production abroad of materials critically needed in the United States, and material¹⁸ upon the certification by the Secretary of State on foreign-policy grounds provided the Secretary of Commerce decides such exports will not have an unduly adverse effect on the United States economy. In practice, this last provision has never been exercised, and, in view of its legislative history, it probably will not be used except for occasional individual spot shipments of great importance.

Policy decisions with respect to export controls are made by a set of interdepartmental committees including the Advisory Committee on the Second Decontrol Act, the Review Committee, which is subordinate to the Advisory Committee, and a few commodity committees. However, according to the law, the authority of the Secretary of Commerce is final even with respect to agricultural commodities.¹⁹

A considerable influence over exports is exercised by direct United States Government procurement for export. Although Government purchases are not large except for wheat, they may be expanded within the limits of funds provided for foreign relief. Export quotas are set to cover Government purchases as well as private purchases for export. In the case of Government purchasing, however, an export quota might be met which could not otherwise be met except through the use of allocation powers, since the Government as a purchaser has sufficient funds to procure well in advance of needs and generally is in a position to extract a larger quantity of commodities from the domestic market than would result under commercial export operations. However, Government procurement for export is limited in practice through the establishment of over-all export quotas by commodities and the break-down of these quotas into United States Government procurement, foreign government procurement, and commercial procurement. The Government agencies which are claimants for export do not have the final say as to these export quotas or what portion of the quotas fixed will be procured by United States Government agencies.

There are several limiting laws which are of interest in connection with procurement. Revised Statutes 3709-3710 require competitive bidding in Government contracts.²⁰ But this restriction does not apply to wholly owned Government corporations. The First War Powers Act,²¹ which is still in effect, provides that the President may

¹⁴ The Second Decontrol Act (Public Law 188, 80th Cong.) specifically provides for such allocations.

¹⁵ Public Law 638, 79th Cong., June 30, 1942 (50 Stat. 463).

¹⁶ Public Law 188, 80th Cong., July 15, 1947.

¹⁷ Public Law 507, 79th Cong., approved March 27, 1942 (56 Stat. 176).

¹⁸ Except foods, certain fibers and cordage, and fertilizer.

¹⁹ Except for specific items such as narcotics, munitions, etc.

²⁰ The law provides an exemption where immediate delivery is required.

²¹ 55 Stat. ch. 593.

authorize exemptions from this and other requirements of Federal law relating to contracts "whenever he deems such action would facilitate the prosecution of the war." Under this act the President has authorized Federal agencies to purchase without competitive bidding. However, there is considerable question whether purchase for export under the European recovery program can be deemed to "facilitate the prosecution of the war," so that even though the First War Powers Act should remain on the statute books, consideration should be given to the continuance of the exemption in legislation for the European recovery program if it is considered to be important.²²

The Buy-American Act of 1933²³ provides that only domestically produced articles shall be acquired for public use, but this does not apply to articles acquired for use outside the United States.²⁴ However, the Act for the Relief of Countries Devastated by War provides that only 6 percent of the purchases for export under that act may be made outside the United States.²⁵ The Buy-American Act is made applicable to procurement for stock-piling purposes by the Strategic and Critical Materials Stock-Piling Act of 1947,²⁶ but the exceptions continued in the buy-American law are technically adequate to permit foreign purchases where to use domestic supplies would result in depletion of United States resources.²⁷

Imports and distribution of imported supplies

Under section 22 of the Agricultural Adjustment Act as amended, authority to control imports is provided where needed to protect programs undertaken under the Soil Conservation Act of 1937 and the export subsidy provisions (sec. 32) of the act of August 24, 1935, as amended. At present import quotas under the authority of these acts are in effect only for cotton and wheat. The President establishes the quotas after a finding of fact by the Tariff Commission. However, the Department of Agriculture takes the initiative in this matter. The Sugar Act of 1948²⁸ provides for import quotas and the allocation of these quotas among domestic refineries but these powers are not being exercised.

The Second War Powers Act as amended by the Second Decontrol Act of 1947, provides for authority to limit imports of the following: tin and tin products,²⁹ antimony, chinchona bark, quinine, and quinine purchased by Government agencies, fats and oils, rice and rice products, nitrogenous fertilizers. The Rubber Act³⁰ provides for import controls over rubber and rubber products. The authority over imports carries with it authority over the domestic distribution of imported supplies. Responsibility for exercising these controls is exercised by the Secretary of Commerce advised by the same interdepartmental committees referred to under "Controls Relating to Exports." However, the basic staff work for agricultural commodities is performed by the Secretary of Agriculture. These quotas are closely coordinated with international allocations agreed to in the

²² It has been contended that by implication Public Law 84, 80th Cong., Relief to Countries Devastated by War, provides an exemption for purchases made under the authority of that act.

²³ 47 Stat. 1530 (1933).

²⁴ Other exemptions are where the domestic price is unreasonable, where the supply is inadequate, or where it is held to be in the public interest to procure outside the United States.

²⁵ Public Law 84, 80th Cong.

²⁶ 60 Stat. 596.

²⁷ However, it would be advisable to make this explicit in new legislation when approved.

²⁸ Public Law 388, 80th Cong.

²⁹ Except for ores and concentrates.

³⁰ Public Law 24, 80th Cong. This act expires March 1948.

International Emergency Food Council (on which the U. S. is represented by the Secretary of Agriculture) and the International Tin Committee.

Domestic allocation of domestically produced materials and products—

Controls over domestic distribution are of interest in connection with the European recovery program because, in the case of tight commodities, the meeting of a particular export commitment may result in domestic shortages. In the case of rubber, antimony, and tin there is control authority over the domestic distribution of such domestic production as exists. The only instance where controls are authorized over items which are primarily domestically produced is in the case of tin products. The only such control that is presently in effect is of the conservation type. Responsibility for this control is vested in the Secretary of Commerce advised by the same inter-departmental committees referred to under Export Controls.

Railroad transportation—

Under the Second Decontrol Act, the priority and allocation powers over transportation and shipping of the Second War Powers Act are continued only with respect to "the use of transportation equipment and facilities by rail carriers."^{30a} The President has conferred such powers on the Office of Defense Transportation which has exercised them sparingly. The chief formal orders of O. D. T. provide for full carloading, advance commitments for prompt storage or shiploading in the case of shipments to ports in the interest of quick turn-around time, and regulations of the use of several hundred high-pressure tank cars.³¹ O. D. T. has set up an Advisory Carriers Committee. Through this committee and through the American Railroad Association, O. D. T. attempts to secure voluntary steps on the part of the roads to meet transportation bottlenecks. However, such efforts have not prevented serious transportation hold-ups in rail movements of both coal and wheat to ports for export.

Although the I. C. C. possesses extensive powers over the use of rail-transportation equipment,³² and issues service orders, there is question as to whether its procedures are sufficiently speedy to enable it to deal effectively with acute rail bottlenecks.

Shipping

Such control over ocean shipping, as is now being exercised, is effectuated through Government ownership of bottoms. Aside from the 100 merchant ships operated by the United States Army Transportation Corps, approximately 1,700 United States owned vessels are now being operated under charter or on a cost-plus basis. In addition 300 tankers are being operated on an agency basis. Although the Government has no direct control over the routing of chartered ships, it is unlikely that the charter parties or operators would refuse to accommodate the Government on urgent export shipments. However, the Merchant Ship Sales Act of 1946³³ provides that all ships not sold by March 1, 1948,³⁴ should go into the Fleet Reserve from which they cannot operate for commercial purposes. Further, appro-

^{30a} Such powers expire February 29, 1948.

³¹ See O. D. T. Orders Nos. 1, 16c, 18a.

³² Secs. 1, 10, 114, 115, of the I. C. C. Act as amended. I. C. C. has power to do virtually everything that O. D. T. has done.

³³ Public Law 321; 79th Cong.

³⁴ The original date was extended by Public Law 299, 80th Cong.

priation for salaries and administrative expenses in connection with charter hire expire March 1, 1948.³⁵ Without the sale of ships presently owned by the United States Government to either United States or European shipping lines, or the extension of authority for the operation of United States ships under charter agreements, a serious shortage will result.

Existing legislation requires that exports, fostered by loans extended by any United States agency shall be carried exclusively in United States bottoms provided they are available at reasonable rates.³⁶

Pig iron subsidy payments

In connection with the housing program, subsidies are being paid in order to encourage the production of high-cost malleable or foundry-grade pig iron. The subsidy ranges from \$8 to \$12 per ton and was paid on 900,000 tons during the first 9 months of 1947. Total production of malleable or foundry-grade pig iron is now between 5 and 6 million tons per year. The purpose of the subsidy is to increase the production of pig iron output for cast-iron soil pipe needed for housing construction. The subsidy was provided for in the Housing and Rent Act of 1947 and expires at the end of the 1947 calendar year. It is administered by the Housing Expediter and the subsidy payments are made by the R. F. C.

Exports of pig iron are to this degree subsidized by an act which intended to increase the supply primarily available for construction in the United States.

³⁵ Public Law 299, 80th Cong., July 31, 1947.

³⁶ 48 Stat. 500 (1934).

BREAK-DOWN OF EUROPEAN REQUIREMENTS
BY MAJOR CATEGORIES

PRELIMINARY REPORT NINE
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1947

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80TH CONGRESS } <i>1st Session</i>	HOUSE OF REPRESENTATIVES }	REPORT 1144
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BREAK-DOWN OF EUROPEAN REQUIREMENTS BY MAJOR CATEGORIES

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT NINE

BREAK-DOWN OF EUROPEAN REQUIREMENTS BY MAJOR CATEGORIES

SUMMARY

The purpose of this report is to break down the import-requirement figures contained in the reports of the Committee of European Economic Cooperation (CEECE) into the following broad categories:

- (a) Food, fuel, and fertilizer.
- (b) Other raw materials.
- (c) Capital equipment.

It does not provide an actual projection of either European requirements or trade balances because of the limitations inherent in the CEECE figures and in the nature of the problem itself. The Paris Conference compressed its requirements figures into a 4-year period with a view to establishing within this period the minimum possible gap between the needed European imports and the means of payment which might be obtained through increased exports and invisible items, such as tourist trade. It was realized that to attain the desired goal it would be necessary for the participating countries to hold their imports down to the minimum essential for recovery, but it was further necessary to make certain arbitrary assumptions about the projected fall in the price of imports, the rate of capital absorption, and the capacity to export that, in the view of the committee, are extremely optimistic. It is doubtful whether the European countries can increase their exports at the projected rate; it is also doubtful, however, that they can absorb capital at the rate indicated, and these factors may tend to offset each other in the trade balance.

It should also be pointed out that the CEECE figures make no allowance for an improved rate of recovery which might result from a more rapid mobilization of the Western German economy in helping to meet the deficit in European requirements for coal, steel, and manufactured items. Nor do they make allowance for the possible momentum of recovery which might result if the revival of confidence in the restoration of the European economies should bring about an improvement in the supply of private capital and uncover the hidden dollar and gold resources.

All this is not said in criticism of the methods by which the figures were presented, since the European countries apparently understood this to be the desire of the United States Government. It does, however, render the CEECE estimates little more than rough guesses as to orders of magnitude.

In one aspect the figures have real significance, in that they show the comparative magnitude of food, fuel, and fertilizer requirements as against the other requests. Even if there is a considerable revision of total amounts, it is not likely that the food, fuel, and fertilizer requirements would be substantially reduced in proportion to the other requirements. It is felt, therefore, that the following tables

have some real use in estimating to what degree taking care of the food, fuel, and fertilizer requirements from dollar areas would lighten the over-all burden on the European economy so as to make possible commercial loans through either the Export-Import Bank (for (b) above, raw materials) or the Bank of International Reconstruction and Development (for (c) above, capital equipment).

The import requirements of the 16 European countries participating in the recent Paris conference and of western Germany for products of the United States total \$20,000,000,000 over the 4-year period 1948-51. Of this amount 42 percent consists of food, fuel, and fertilizer; 27 percent, of other raw materials; and 25 percent, of capital equipment.

The import requirements of the same countries for products of all dollar areas total \$35,000,000,000 for the same 4-year period. Of this amount 49 percent is for food, fuel, and fertilizer; 30 percent for other raw materials; and 15 percent for capital equipment.

The import requirements of the same countries over the same period for products from all areas (excepting trade among the participating countries themselves) total \$57,000,000,000, of which 70 percent is for food, fuel, and fertilizer; and 30 percent is for all other categories combined.

These statistics, which are based on prices as of July 1, 1947, are shown in chart I, and in table 5.

BREAK-DOWN BY COUNTRIES

The published CEEC reports are not sufficiently detailed to permit a similar break-down for each of the participating countries, even for 1948. Such a break-down would be desirable if the requirement picture were to be placed in focus with the dollar-deficit position of each country.

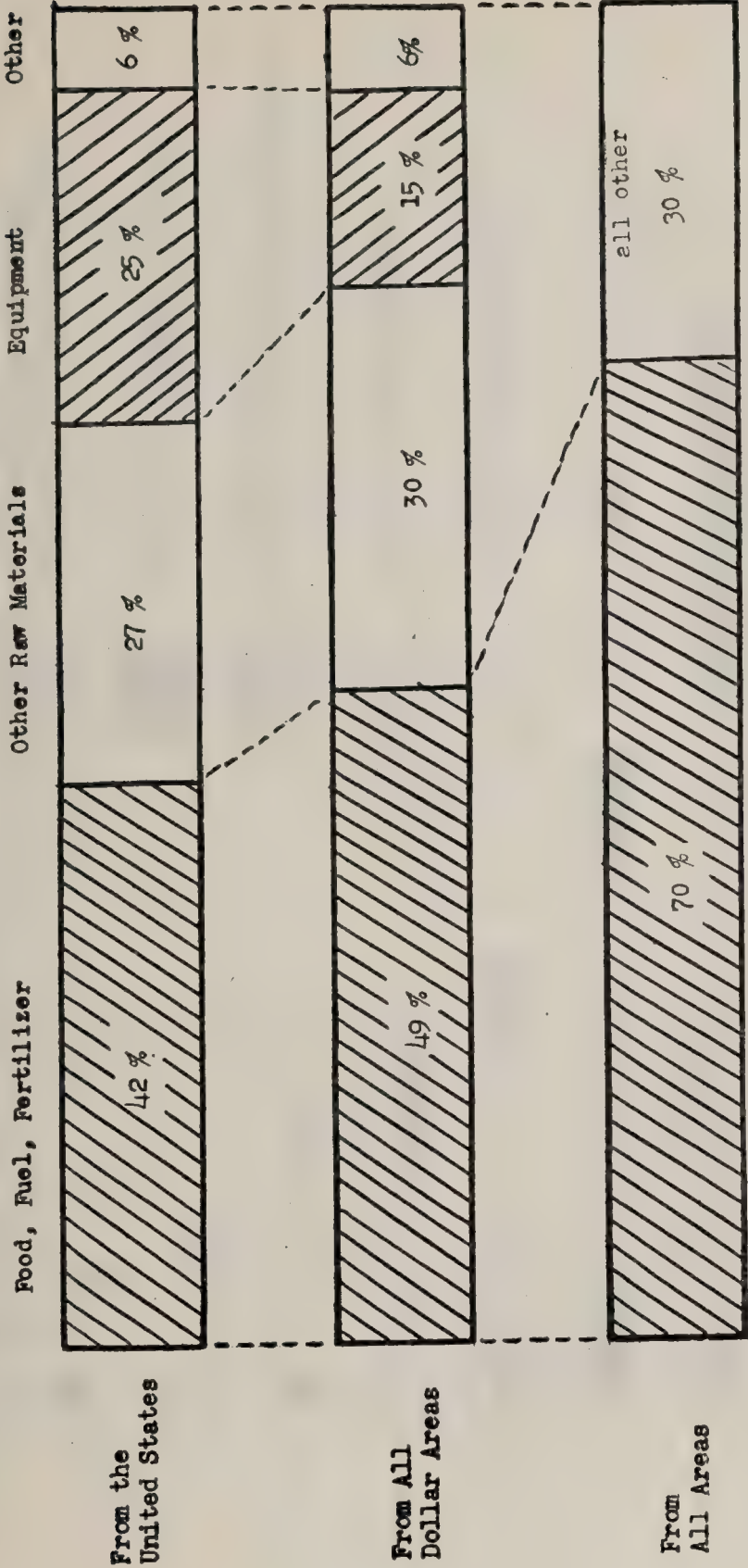
To make such forecasts for any extended period for any one country would be extremely hazardous because of uncertainties as to markets, prices, and the availability of commodities. Nevertheless, on the basis of preliminary unreleased data, arising out of recent conferences between United States and European technicians, it is possible to construct a rough picture of revised food, fuel, and fertilizer requirements for each of the participating countries and western Germany in 1948 and to relate these to the published balance of payment data for eight of them (United Kingdom, France, Italy, Bizonal Germany, Netherlands, Greece, Sweden, and Denmark).

These data are shown in chart II and in table 6. In none of the countries would satisfaction of the food, fuel, and fertilizer requirements be sufficient to wipe out the country's net dollar deficit, and only in the case of the United Kingdom is it expected that there will be a net credit balance with nonparticipating countries outside of the American Continent.

CHART I

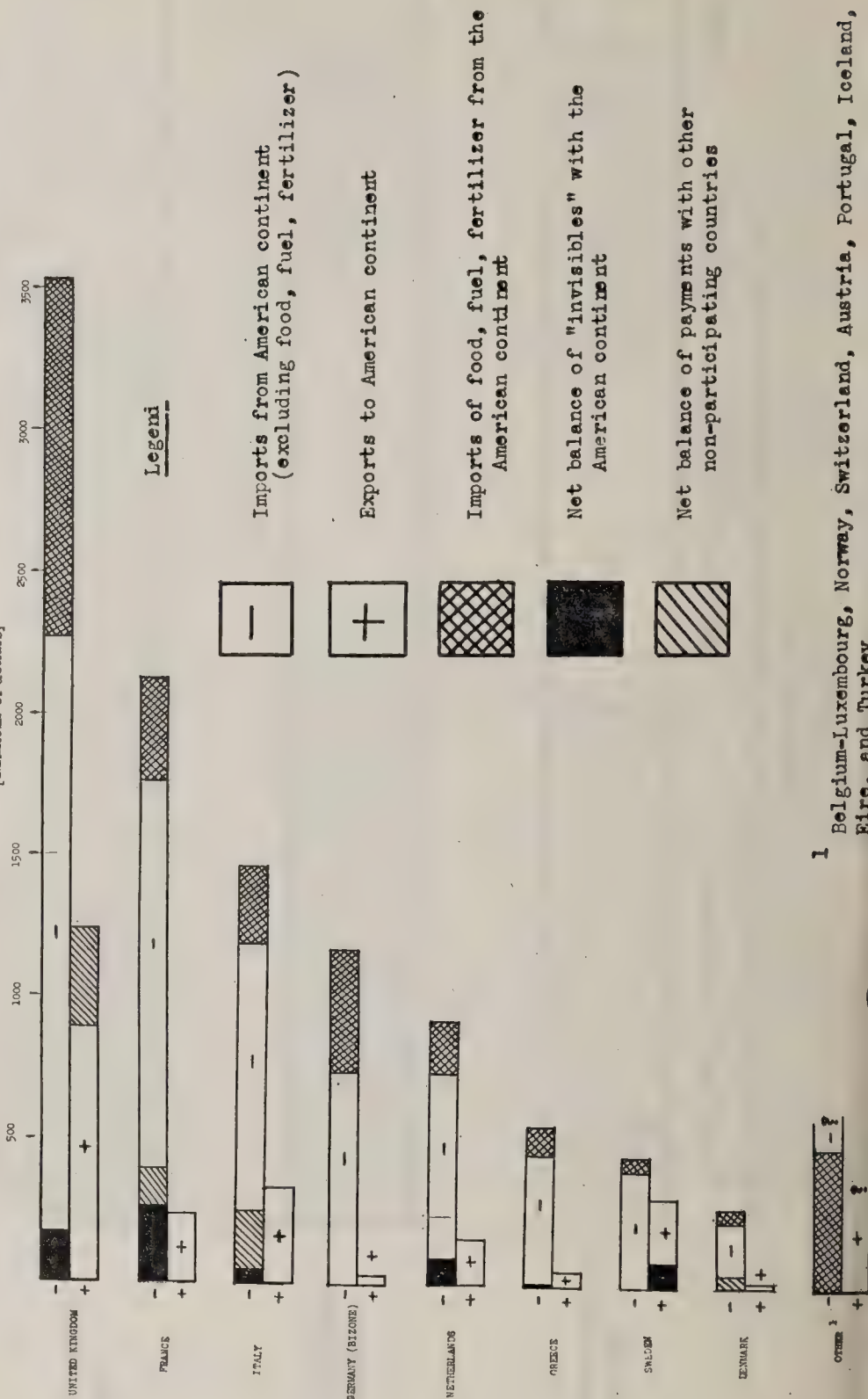
[Based on tables 1 and 5]

Import requirements of participating countries and western Germany, percentage distribution, 1948-51



Source: Tables 1 and 5

CHART II
(Based on table 6)
Estimated imports of food, fuel (excluding petroleum), and fertilizer related to balance of payments data, by countries, 1948
[Millions of dollars]



¹ Belgium-Luxembourg, Norway, Switzerland, Austria, Portugal, Iceland, Eire, and Turkey

NATURE OF THE PROBLEM

Considerable estimating is necessary in order to break the requirements figures of the CEEC¹ down into principal commodity categories. Large gaps in prospective trade have to be accounted for since the technical commodity committees of the Paris Conference concerned themselves with only \$36,000,000,000 of imports from non-participating countries out of an estimated total of \$57,000,000,000 (for the 4-year period 1948-51). Of this latter total \$35,000,000,000 is for imports from dollar areas and of this sum only \$22,000,000,000 was covered.

The task of breaking these figures down is rendered still more difficult by the fact that most of the figures showing detailed requirements, either by country or by commodity break-down, are presented in the first instance in quantitative terms only. The value equivalents are then applied only to the totals or to the more important subtotals. Furthermore, some of the figures relate to the participating countries alone, whereas others include their dependent overseas territories. Some state the requirements of imports from all areas, while others state them from the United States or from all dollar areas combined.

Nevertheless, from the reports of the technical committees of the Paris Conference and their original questionnaires it is possible to assemble sufficient comparable data, in dollar terms, to present a picture showing at least the general orders of magnitude.

REQUIREMENTS OF FOOD, FUEL, AND FERTILIZER AND THE EUROPEAN NET TRADE DEFICIT

Table 1 brings into focus the import-requirement figures for each of the 4 years, 1948, 1949, 1950, and 1951, in relation to the total net deficit² of the 16 participating countries and Western Germany.

It will be noted that the proportion of food, fuel, and fertilizer remains large throughout the 4-year period. So far as total requirements from all sources are concerned the proportion ranges from 64 to 83 percent and so far as dollar sources are concerned they range from 54 to 65 percent.

Although the requirement estimates of food, fuel, and fertilizer from all sources are available separately, they are not broken down in the same detail with regard to requirements from the United States and other dollar sources. In the table, therefore, they are grouped together so far as the requirements from dollar sources are concerned. Also, agricultural machinery is included in the total figure for food, fuel, and fertilizer from dollar sources.

¹ Report of the Committee of European Economic Cooperation, vols. I and II, published by the Department of State, September and October 1947, respectively (publications 2930 and 2952).

² Net deficit with nonparticipating countries.

TABLE 1.—*Import requirements of food, fuel, and fertilizer, and estimated import deficits (participating countries and western Germany, including dependent overseas territories)*

[In millions of dollars]

	All sources					Dollar sources				
	1948	1949	1950	1951	Total 1948-51	1948	1949	1950	1951	Total, 1948-51
Food and feedstuffs ^{1 2}	6,167	7,391	7,709	7,966	29,233	4,000	4,300	4,100	4,000	16,400
Wine and tobacco ^{1 2}	596	559	492	466	2,113					
Fertilizer ^{1 2}	138	128	102	81	449					
Agricultural machinery ^{1 2}	353	266	195	118	932					
Coal ³	624	600	546	519	2,289	369	225	126	54	774
Petroleum ⁴	⁵ 1,052	⁵ 1,157	⁵ 1,243	⁵ 1,263	⁵ 4,715	577	623	641	620	2,461
Total.....	8,930	10,101	10,287	10,413	39,731	4,946	5,148	4,867	4,674	19,635
Total imports ⁵	13,867	13,500	13,014	12,564	52,945	9,165	8,463	7,718	7,160	32,506
Exports and net "invisibles".....	6,266	7,855	9,656	11,061	34,838	1,585	2,374	3,143	3,620	10,722
Net deficit.....	7,601	5,645	3,358	1,503	18,107	7,580	6,089	4,575	3,540	21,784
Net deficit of dependent areas.....	674	478	290	95	1,537	455	260	70	-130	655
Total net deficit.....	8,275	6,123	3,648	1,598	19,644	8,035	6,349	4,645	3,410	22,439
Percentage, food, fuel, fertilizer requirements to total imports.....	64.4	74.8	79.0	82.9	75.0	54.0	60.8	63.1	65.3	60.4

¹ Data are for crop years 1947-48; 1948-49; 1949-50; 1950-51.² From tables 18 and 19 of vol. II of the CEEC Report, Section B.³ Unscreened figures for all sources; dollar source figures are from report of Washington Conversations group. Figures are f. o. b.⁴ From table 34, CEEC Report, vol. II: Section C.⁵ Excluding dependent overseas territories and making allowance for expected price changes.

THE EUROPEAN NET TRADE DEFICIT

Chart III, derived from table 1, shows the degree to which the participating European countries hope to decrease their foreign-trade deficit in the next 4 years. They expect, even in the face of only slightly decreasing total imports, to narrow their trade deficit with all areas from 7.6 billion to 1.5 billion dollars by increasing their exports from 6.3 billion dollars in 1948 to 11.1 billion dollars in 1951.

They expect their imports from dollar areas to decline from 9.2 billion dollars in 1948 to 7.2 billion dollars in 1951. At the same time they plan to increase their exports to dollar areas from 1.6 billion dollars to 3.6 billion dollars in the same period. If they succeed in doing this, it means that their trade deficit with dollar areas will be narrowed from 7.6 billion in 1948 to 3.6 billion dollars in 1951.

IMPORT REQUIREMENTS FROM THE AMERICAN CONTINENT

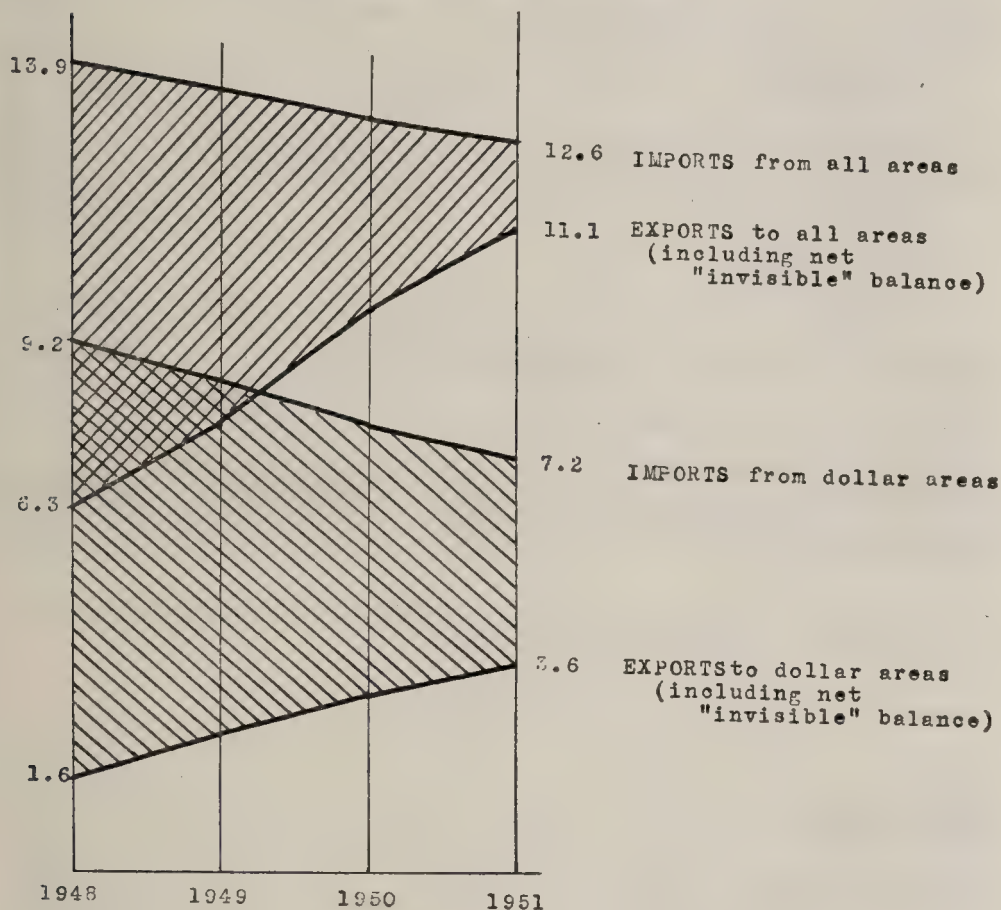
In table 2 an attempt is made to bring together the figures showing the import requirements of the participating countries and western Germany from the American Continent. It should be noted that this table excludes dependent territories.

A considerable proportion of the total import requirements (almost \$10,000,000,000) is not broken down into commodity categories. Of the 72 percent that is shown in detail, food, fuel, and fertilizer account for 71 percent, other raw materials for 10 percent, and equipment for 19 percent.

CHART III

*Projected exports and imports of the Participating Countries and western Germany,
according to CEEC Documents*

[In billions of United States dollars]



Source: Table 1

TABLE 2.—*Import requirements from the American Continent into the participating countries (excluding dependent territories) and western Germany*

[Data from the CEEC report, in millions of United States dollars]

	1948	1949	1950	1951	Total
I. Food, feedstuffs, and fertilizer.....	3,308	3,580	3,444	3,385	13,717
Coal.....	342	198	99	27	666
Petroleum.....	512	555	570	550	2,187
Total, food, fuel, and fertilizer.....	4,162	4,333	4,113	3,962	16,570
II. Other raw materials:					
Iron and steel.....	370	310	309	303	1,292
Timber.....	266	265	233	208	972
Other.....	n. a.	n. a.	n. a.	n. a.	n. a.
Total.....	636	575	542	511	2,264
III. Equipment for reconstruction and development: ¹					
Electrical equipment.....	150	175	125	50	500
Petroleum equipment.....	50	51	52	49	202
Steel plants.....	100	100	100	100	400
Unspecified ²	287	287	287	287	1,148
Total.....	587	613	564	486	2,250
IV. Other equipment: ³					
Agricultural machinery.....	370	313	268	237	1,188
Coal mining machinery.....	80	54	46	40	220
Petroleum equipment.....	118	96	64	75	353
Inland transport equipment.....	203	177	81	29	490
Timber equipment.....	10	9	7	6	32
Total.....	781	649	466	387	2,283
Grand total.....	6,166	6,170	5,685	5,346	23,367
Difference between these figures and total imports shown in table 1.....	2,999	2,293	2,033	1,814	9,139
Estimated total imports from the American Continent.....	9,165	8,463	7,718	7,160	32,506

¹ Includes equipment for new and complete projects only (p. 55, CEEC Report, vol. I).² Included among estimated imports not covered by the Technical Committees (see note on p. 114, CEEC Report, vol. I) arbitrarily spread evenly over the 4 years.³ Includes equipment for parts of projects; does not include normal replacement and maintenance. (See p. 55, CEEC Report, vol. I.)

The following tabulation brings together in abbreviated form the more significant subtotals shown in table 2:

[In billions of dollars]

	1948	1948-51
Food, fuel, and fertilizer.....	4.2	16.6
Other raw materials.....	.6	2.3
Equipment.....	1.4	4.5
Total.....	6.2	23.4
Estimated total imports from dollar areas.....	9.2	32.5
Difference (nonprogramed items).....	3.0	9.1

The nonprogrammed requirements shown in table 2 are so large that it has seemed desirable to try to allocate them to specific categories, at least for 1948 and the 4-year period 1948-51. It must be borne in mind that the margin of error in the estimates is very great.

Table 3 shows the import requirements of the participating countries and western Germany for 1948 and 1948-51, as set forth in the CEEC report.

TABLE 3.—*Import requirements of the participating countries (excluding dependent territories) and western Germany from the American Continent*

[In billions of dollars at July 1, 1947 prices]

	1948			1948-51 ¹		
	United States	Other Americas	Total	United States	Other Americas	Total
Food, fertilizer.....	1.5	1.8	3.3	5.4	8.3	13.7
Coal.....	.3	-----	.3	.7	-----	.7
Petroleum products.....	.5	-----	.5	2.2	-----	2.2
Iron and steel.....	.4	-----	.4	1.2	.1	1.3
Timber.....	.1	.2	.3	.4	.6	1.0
Equipment (covered by technical committees).....	1.1	-----	1.1	3.3	.1	3.4
Total.....	3.9	2.0	5.9	13.2	9.1	22.3
Total imports.....	6.0	3.2	9.2	20.4	14.8	35.2
Difference.....	2.1	1.2	3.3	7.2	5.7	12.9

¹ Total imports for 1948-51 in this table are higher than those shown in tables 1 and 2 since they are here figured on the basis of prices as of July 1, 1947. In tables 1 and 2 the calculations for 1948 only are made at prices prevailing on July 1, 1947. It is assumed that import prices in 1949 will be 7½ percent lower than in 1947, that they will be 10 percent lower in 1950 than in 1947, and 12½ percent lower in 1951 than in 1947 (CEEC Report, vol. I, p. 113).

Source: CEEC Report, vol. I, table 5 (p. 44).

In table 4 estimates by category have been made to account for the requirements of the nonprogrammed commodities. This has been done, informally, in conference with several of the European technical experts who came to the United States for the specific purpose of answering questions put forward by American experts. The estimates by category have been made in the light of the actual rate of United States exports during the first half of 1947.

TABLE 4.—*Estimated break-down of nonprogrammed requirements*

[In millions of dollars]

	1948			1948-51 ¹		
	United States	Other Americas	Total	United States	Other Americas	Total
Food.....	51	59	110	190	360	550
Other raw materials.....	968	1,002	1,970	3,900	4,500	8,400
Cotton.....	(400)	(200)	(600)	(2,000)	(1,000)	(3,000)
Wool.....	(5)	(75)	(80)	-----	(350)	(350)
Hides and leather.....	(40)	(160)	(200)	(50)	(700)	(750)
Pulp.....	(10)	(17)	(27)	(10)	(75)	(85)
Chemicals.....	(260)	(50)	(310)	(850)	(150)	(1,000)
Copper.....	(50)	(145)	(195)	-----	(550)	(550)
Lead.....	(1)	(45)	(46)	(125)	(225)	(350)
Zinc.....	(25)	(60)	(85)	(140)	(140)	(280)
Tin.....	-----	(60)	(60)	-----	(90)	(90)
Aluminum.....	(2)	(100)	(102)	-----	(300)	(300)
Other nonferrous metals.....	(25)	(40)	(65)	(235)	(695)	(930)
Other raw materials.....	(150)	(50)	(200)	(490)	(225)	(715)
Machinery.....	525	5	530	1,750	50	1,800
Other goods:						
Semimanufactures.....	15	10	25	70	40	110
Consumer goods.....	250	120	370	760	630	1,390
Ships and airplanes.....	250	-----	250	500	-----	500
Total.....	2,059	1,196	3,255	7,170	5,580	12,750

¹ See note 1 to table 3.

Source: Staff estimates made after consultation with various experts.

The staff estimates made in table 4 have been consolidated with the CEEC data presented in table 3 and the results are shown in table 5 and chart I. Although this is not an official table it is based on reasonable guessing and affords rough estimates of the orders of magnitude involved. Whereas food, fuel, and fertilizer account for 70 percent of the import requirements of the participating countries from all areas (table 1), they account for only 42 percent of the import requirements from the United States. As would be expected, the proportional requirements of equipment from the United States are higher than from other areas. So far as requirements from the United States are concerned, raw materials (other than food, fuel, and fertilizer) and equipment are about equal, at roughly one-quarter of the total each.

TABLE 5.— *Summary of estimated import requirements of participating countries and western Germany from the American Continent*

[In billions of dollars]

	1948			1948-51		
	United States	Other Americas	Total	United States	Other Americas	Total
Food, fuel, and fertilizer.....	2.3	1.8	4.1	8.5	8.7	17.2
Food and fertilizer.....	(1.5)	(1.8)	(3.3)	(5.6)	(8.7)	(14.3)
Coal.....	(0.3)		(0.3)	(0.7)		(0.7)
Petroleum.....	(0.5)		(0.5)	(2.2)		(2.2)
Other raw materials.....	1.5	1.2	2.7	5.5	5.2	10.7
Iron and steel.....	(0.4)		(0.4)	(1.2)	(0.1)	(1.3)
Timber.....	(0.1)	(0.2)	(0.3)	(0.4)	(0.6)	(1.0)
Other (from table 4).....	(1.0)	(1.0)	(2.0)	(3.9)	(4.5)	(8.4)
Equipment (including machinery from table 4).....	1.6	Negl.	1.6	5.1	.1	5.2
Other goods (consumer goods, etc.).....	.6	.2	.8	1.3	.8	2.1
Total.....	6.0	3.2	9.2	20.4	14.8	35.2
Percentage distribution						
Food, fuel, fertilizer.....	38.3	56.3	44.6	41.7	58.8	48.9
Other raw materials.....	25.0	37.5	29.3	27.0	35.1	30.4
Equipment.....	26.7	Negl.	17.4	25.0	.7	14.8
All other.....	10.0	6.2	8.7	6.4	5.4	6.0
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

Source: Tables 3 and 4, above.

BREAK-DOWN BY COUNTRIES

Thus far the discussion has been confined to import requirements of the 16 participating countries and western Germany as a group. It shows how these total requirements are divided as between food, fuel, and fertilizer; other raw materials; and capital equipment. But it does not relate these requirements to the net balance-of-payments deficits of the respective countries.

The published reports of the Committee of European Economic Cooperation do not show the import requirements of the individual countries for separate commodities in terms of dollars and in a way that would render them comparable with estimated balance-of-payments deficits. Whenever such estimates are made they are stated in terms of physical measurement.

In fact, such a break-down for any extended period of time would necessarily be misleading and largely guesswork. What a country will buy, where it will buy it, and at what prices, cannot be foreseen at this time. Each country, naturally, would prefer to purchase in the most favorable market. But, at any one time, such markets are limited and certain countries will be forced to buy in markets where prices are less favorable. Thus, what is legitimate procedure in the way of over-all forecasting for the 16 countries combined, with regard to requirements and availabilities of a given commodity, would be mere guessing when applied to any one country. Therefore, about the best that can be done is to forecast the situation in 1948 on the basis of estimated requirements and markets that seem likely, at the present time, to be accessible then.

Within the last 6 weeks there have been numerous conferences between United States and European technicians at which attempts have been made to express commodity requirements, wherever possible, in dollar terms. Although the findings and conclusions of the several groups have not yet been made public, it is possible, on the basis of preliminary unpublished figures, to arrive at a tentative picture of the size of the food, fuel, and fertilizer requirements for each of the 16 countries and to relate these figures to balance-of-payments data for 1948 for 8 of them.

Table 6 and chart II show import estimates by country and balance-of-payments data. The following should be noted: (a) The food, fuel, and fertilizer figures do not include petroleum; (b) in a few instances they do not include coal; and (c) the food, fuel, and fertilizer figures have been scaled down from those presented in the published CEEC Report, whereas the balance-of-payments data are those of the report. It is understood that the working groups are now formulating revised, and presumably more realistic, balance-of-payments data.

The revised food, fuel, and fertilizer requirements shown in table 6 total 3.2 billion dollars. On the basis of the published CEEC report ¹ food, fuel, and fertilizer requirements in 1948 amount to 4.1 billion dollars. On the assumption that no scaling down of the petroleum requirement (0.5 billion dollars) has been made, the new total represents a reduction of approximately 400 million dollars. It is not possible on the basis of available data to show separately by country the requirements of raw materials other than food, fuel, and fertilizer or of capital equipment.

¹ See herein, table 5.

TABLE 6.—*Estimated imports of food, fuel (excluding petroleum) and fertilizer related to balance-of-payments data, by countries, 1948*

[In millions of dollars]

	(As revised by "conversations")	[Data from CEEC Report, Vol. I]				
		Imports from American Continent	Exports to American Continent	Net "invisibles" American Continent	Deficit or surplus with American Continent	Net balance with other non-participating countries
United Kingdom.....	1,270	3,355	895	-170	-2,630	+350
France.....	371	1,725	240	-271	-1,756	-137
Germany (Bi-zone).....	425	1,180	30	(2)	-1,150	(3)
Italy.....	275	1,212	332	-50	-930	-213
Netherlands.....	183	697	157	-92	-632	-145
Greece.....	2100	551	50	-10	-511	0
Belgium-Luxembourg.....	192	(3)	(3)	(3)	-322	(3)
Denmark.....	50	230	22	-3	-211	-44
Sweden.....	51	456	224	+86	-146	(3)
Norway.....	48	(3)	(3)	(3)	-50	-20
Switzerland.....	91	(3)	(3)	(3)	(3)	(3)
Austria.....	76	(3)	(3)	(3)	(3)	(3)
Portugal.....	435	(3)	(3)	(3)	(3)	(3)
Iceland.....	44	(3)	(3)	(3)	(3)	(3)
Eire.....	446	(3)	(3)	(3)	(3)	(3)
Turkey.....	41	(3)	(3)	(3)	(3)	(3)
Total.....	3,218					

¹ Excluding petroleum, which is not shown separately.² Negligible.³ Not available.⁴ Excluding coal, which is not shown separately.

It should be observed that, of the eight countries for which detailed estimates are given (United Kingdom, France, Italy, bizonal Germany, Netherlands, Greece, Sweden, and Denmark) only the United Kingdom is expected to generate a favorable balance with other non-participating countries in 1948. It will fall far short, however, of balancing that country's over-all international deficit.

The generation of such net export surpluses by western Europe to nonparticipating countries, other than the United States, in order to provide dollars with which to pay for imports from dollar areas is predicated upon the assumption that American markets will be willing to absorb foreign goods. If future trade policies seriously impede the international movement of goods, this assumption might need serious modification. The report of the Paris Conference states this clearly, as follows:¹

A fact of fundamental importance is that the problem cannot be solved unless conditions in American markets are such as will enable vastly increased exports from the participating countries to find buyers. Furthermore, the traditional method in which Europe has paid the American Continent has been by an export surplus with the rest of the world. It is, therefore, essential that there should be an adequate flow of dollars to the rest of the world so that the participating countries and western Germany may be able to earn dollars, not only directly by their exports to the American Continent, but also indirectly by their exports to other countries.

¹ CEEC Report, vol. I, p. 120.

On the other hand, it is possible for a large creditor nation, like the United States, to maintain a substantial net export surplus over a considerable period of time through the export of capital. All that is necessary to maintain such a situation is that imports be sufficiently large to cover interest and other servicing charges on the loans. The longer the period of time over which such loans are made, and the more productive they are, the less onerous will be the strain of ultimate repayment.



THE ITALIAN CRISIS AND INTERIM AID

PRELIMINARY REPORT ONE SUBCOMMITTEE ON ITALY, GREECE, AND TRIESTE

CONSISTING OF

THOMAS A. JENKINS, Ohio, *Chairman*
RICHARD M. NIXON, California
JAMES P. RICHARDS, South Carolina
GEORGE H. MAHON, Texas

APPROVED BY

HOUSE SELECT COMMITTEE ON FOREIGN AID

PURSUANT TO

H. Res. 296

A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
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80TH CONGRESS <i>1st Session</i>	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 1145
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THE ITALIAN CRISIS AND INTERIM AID

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT ONE

THE ITALIAN CRISIS AND INTERIM AID

INTRODUCTION

The Subcommittee on Italy, Greece, and Trieste of the Select Committee on Foreign Aid, under the chairmanship of Thomas A. Jenkins of Ohio, carried out extensive studies. The investigations included interviews with Government officials, political leaders, labor leaders, industrialists, workers, and farmers. In addition the subcommittee conferred with United States military, diplomatic, and commercial representatives, as well as with American businessmen. The subcommittee made on-the-spot investigations in factories, on farms, and in the homes of workers and farmers.

This report, which deals primarily with the basic nature of the Italian crisis, is intended to furnish the background for the immediate problem of interim aid to Italy. The term "interim aid" in the discussions by the executive branch refers to a period of 6 months from October 1, 1947, to March 31, 1948, on the assumption that no longer-run program could be put into effect prior to that time. As far as can be determined, there has been no effort in the presentation of the Department of State to add in the Italian requirements an additional month's supplies to carry procurement and deliveries through April 1948, as was done in the Secretary's presentation of French requirements. The figures submitted on November 10 by the Secretary of State to the joint hearings of the Senate Foreign Relations Committee and House Foreign Affairs Committee are to be published as a separate document, Interim European Aid. These figures are presented on a 4-month basis from December 1, 1947, to March 31, 1948. They have been reconciled in the text and in the tables with the 6-month figures also furnished in the Secretary's report, Interim European Aid. By way of explanation, it should be made clear that the figures used in the body of the committee's report are those furnished on October 21 and that the comparison with the November 10 figures is established in the tables and in the explanatory text preceding them at the end of this report.

SUMMARY

A. FACTORS ESSENTIALLY BEYOND THE CONTROL OF THE ITALIAN GOVERNMENT

1. Before the war, Germany was both the principal supplier and principal market of Italy. In 1938, Germany provided Italy with 57 percent of its coal imports which Italy paid for with exports of fruits and vegetables. Today Italy is receiving only 20 percent of the prewar volume of coal from Germany, and for this she must pay dollars. Germany is unable to purchase any of Italy's fruits and vegetables.

2. The United Kingdom and Poland before the war supplied the balance of Italy's coal requirements. Today Italy is receiving no coal from England and only a trickle from Poland. The United States has now become the principal source of coal.

3. Italy is able to sell only a very small part of her total exports for dollars and is therefore forced to take payment in other currencies for most of her exports. On the other hand, she can no longer obtain essential imports of coal, food, and industrial raw materials for these currencies, but instead must pay for nearly all of these imports with dollars. As a result of the suspension of convertibility, Italy now has a sterling balance of £31,000,000 and is accumulating sterling at the rate of £1,500,000 per month. Had convertibility been maintained, it appears probable that Italy's present dollar resources would have been increased by approximately 50 million dollars, an amount which would have been of considerable assistance in meeting the current crisis.

4. As a result of Italy's inability to find outlets for its surplus population, Italy's total population has increased during the war by 4,000,000 and is continuing to increase at the rate of 500,000 a year. This means that the Italian economy must support this additional population, and at the same time revenues from emigrant remittances have been sharply curtailed.

B. REMEDIAL STEPS TAKEN BY ITALY

1. Wartime damage is conservatively estimated at \$6,000,000,000. Reconstruction must be made at the expense of current consumption. As a result of great efforts in this direction, Italian industry is now operating at 70 percent of 1938 levels, although a major portion of the necessary imports of coal, petroleum, and industrial raw materials are financed by the United States.

2. The upward trend in the cost of living, wages, and government deficits continued unabated during 2 years of Communist participation in the government. This was due (a) to lack of political strength and to technical incompetence of the government, and (b) to deliberate sabotage on the part of the Communists to create chaotic conditions which they hoped would make the rise of a totalitarian regime inevitable. Since the expulsion of the Communists, the Government has adopted a strong program for the stabilization of the lira, including improvements in the tax-collection system, control over speculation, and more effective control over government expenditures.

C. ESTIMATE OF PROBABILITIES

Provided that the European nations themselves take adequate measures to restore economic stability and that the necessary steps are taken to permit reentry of Germany into the economy of Western Europe, it is reasonable to expect that with further aid Italy can ultimately reach a position of economic self-support and political stability. Without further aid, and in the absence of political stability and of general recovery in Western Europe, it appears probable that economic conditions will become so desperate that the Italian people will not be as well able to resist the establishment of a totalitarian government.

In general, the figures on interim-aid requirements submitted by the Executive Branch appear reasonable in the light of Italy's imports in 1947, although world supplies may not, in every case, be adequate to meet the quantities indicated. Specifically, however, the subcommittee desires to raise the following questions on certain items in these figures:

(a) In view of existing stocks of cotton now in Italy, are further imports of cotton necessary prior to March 31, 1948 and, if so, can these imports be financed by the Export-Import Bank?

(b) Need funds be provided for the purchase of 202,000 tons of grain per month before March 31, in view of the Department of Agriculture estimate that a much smaller quantity will be available for allocation to Italy?

(c) Is it not possible to increase the funds which will be available before March 31 from the Export-Import Bank loan from \$60,000,000 to \$90,000,000, the amount allocated in this loan for coal and industrial raw materials?

(d) Could interim requirements be decreased by making use of at least a part of the estimated fund of \$42,000,000 which was held by the Italian Government on October 1, 1947?

(e) To what extent are Italian shipping lines being paid in dollars for the transport of essential imports, and to what extent are such payments necessary to provide dollars for operating expenses?

(f) What justification is there for the inclusion in interim aid requirements of \$2,500,000 per month for the settlement of Italian clearing agreement balances with other nations?

The Italian Crisis and Interim Aid

The Italian economic crisis is essentially a part of the larger crisis of Western Europe. The Italian problem cannot be solved alone but only as the political and economic stability and prosperity of Western Europe as a whole are restored. Italy is almost totally dependent upon foreign sources for fuel and essential industrial raw materials, and requires large imports of food and fertilizers in order to feed its population. Because of the political and economic dislocations of the war, Italy is almost completely cut off from prewar European sources of essential imports and must look to dollar areas to make up her deficits. At the same time, Italy is being paid for her exports in currencies other than dollars. The world financial crisis makes it impossible to convert these accumulated currencies into dollars which can be used to pay for imports.

I. POLITICAL FACTORS

The political factors are no less important than the economic factors, although they are more difficult to evaluate accurately. Political stability and confidence in the future are prerequisites for long-term economic expansion and development. At the same time, the solution of the political problems is rendered more difficult by the magnitude of the economic problems.

Technical incompetence and lack of political strength are in some degree responsible for the failure of the Government to take strong measures to control inflation, develop an efficient and just tax system, balance the budget, and eliminate the black market. This can be traced in large measure to the heritage of twenty years of Fascism and its corrosive effects on the Italian people and leaders. During this period only those who supported the Fascist state were given the opportunity to develop leadership and technical competence through participation in government and in industrial management. Italy is today struggling with new and untrained leadership, upon whom have been thrust problems of the greatest magnitude.

In a great measure, however, the internal problems of Italy are due to the conscious efforts of the Communist party, directed toward the further weakening of the Italian economy to a point where a totalitarian regime could be imposed upon the Italian people. The Communist party is seeking by every possible means to prevent recovery and to destroy confidence in the future, without which reconstruction along liberal, constitutional lines becomes almost impossible. The Communist party, through its influence in the General Confederation of Labor, has fostered demands for unreasonably high wages. It has used strikes and threats of strikes to force political concessions and to aggravate further the economic crisis. Thinly veiled threats of civil war, made by the head of the Communist party, plus the existence of an armed Communist underground, have discouraged investment of private capital in new enterprises and have encouraged the diversion of funds to speculation and hoarding.

It has not been possible for some time for the Government to guarantee freedom of speech in certain areas of Italy. This lack of public order permits extremist elements to build up a psychosis of fear which is, in turn, exploited to weaken further the effectiveness of the Government. The presence of a disproportionately large army in Yugoslavia is another source of confidence-destroying fear.

Threats of confiscatory taxation made by the Communists when they were in the Government discouraged investment in reconstruction and expansion by holding over the heads of those owning capital the constant threat of confiscation.

II. ECONOMIC FACTORS

A. PREWAR

The prewar Italian economy was roughly balanced between agriculture and industry. Both activities were characterized by extremely low productivity, and it is estimated that the annual value of net product per worker was about \$300, one of the lowest in Europe. Industry developed chiefly along lines requiring a high proportion of labor to raw materials, as labor was abundant and most raw materials had to be imported. Industry was carried on primarily in very small factories, only 20 percent of which used power machinery.

Although cereals form 60 percent of the Italian diet, the climate and soil are generally unsuited to the production of grain, and inadequate local production has to be made up by imports from abroad.

Under an intensive program instituted by Mussolini and directed toward establishing the maximum degree of Italian self-sufficiency, wheat imports were reduced from an average of 2,500,000 tons during the period 1921-30 to an average of 760,000 tons during the period 1936-40. In 1938, imports in relation to total requirements were as follows:

Imports:	Percent of total requirements	Imports—continued	Percent of total requirements
Wheat	3	Lead	14
Wood pulp and cellulose	62	Copper	96
Timber	18	Tin	85
Oil seeds	81	Coal	84
Iron ore	28	Petroleum	99
Chrome, nickel and molybdenum ores	100	Phosphates	100
		Cotton	100

Between the wars, Italy's exports in 1926 were 78 percent of imports; in 1931, 82 percent; and in 1937, 58 percent. This deficit, as shown below, was made up by income from shipping services, tourists, emigrant remittances and by borrowing. Gold was also sold abroad by the Italian Government to cover exchange deficits.

Elements in balance of payments

[Millions of dollars]

	1926	1931	1937
Trade balance	-233	-112	-301
Interest and dividends	-34	-45	-25
Shipping income	56	37	37
Tourist expenditures	107	61	94
Emigrant remittances	120	81	43

Before the war, Germany was both the principal supplier and the principal market of Italy, supplying in 1938 27 percent of Italy's imports and taking 19 percent of her exports. The following table shows the percentages for major items:

Major Items in German-Italian Trade, 1938

Percent of Italian imports supplied by Germany :	Percent	Percent of Italian exports taken by Germany :	Percent
Coal.....	59	Fruits and vegetables.....	47
Machinery.....	66	Wines.....	17
Lumber and wood products....	31	Artificial fibers	31

Italian exports to Germany of fruits, vegetables, wines and artificial fibers were sufficient in 1938 to pay for coal imports from Germany.

B. POSTWAR PERIOD

Requirements for repair and reconstruction of the tremendous damage suffered during the war have been a heavy drain on Italian resources. It is estimated that physical damage totaled approximately 6 billion 1946 dollars. This figure is approximately equal to the prewar annual national income. Industry suffered the destruction of 20 to 30 percent of its plant. Railroads, including right-of-way and roll-in stock, were 40 percent destroyed. Shipping at the end of the war was reduced to 10 percent of prewar tonnage.

Largely through United States assistance, shipping tonnage has now been increased to 50 percent of prewar. Great progress has been made by the Italians in the reconstruction of the railway system. Most of the destroyed bridges and viaducts have now been replaced with permanent structures. Rolling stock has been rebuilt from 40 percent to 70 percent of prewar.

Industrial production has been raised from 15 percent of prewar in 1945 to a current rate of 70 percent of prewar. This rate of production has been made possible to a considerable degree by coal and industrial raw materials either supplied by the United States or purchased in other areas with dollars.

1. COAL PROBLEMS

Next to food, coal is the most critical commodity in the Italian economy. A large part of the prewar sources of 14 million tons per year is no longer available. The loss of these supplies is shown by the following table:

Italian coal sources

[In million tons]

	1938	1947 (current rate)
Domestic production.....	2.4	3.1
Germany.....	7.0	1.4
United Kingdom.....	2.3	0
Poland.....	1.6	.8
United States.....	0	7.2
Other.....	1.0	0
Total.....	14.3	12.5

4. MONETARY, FINANCIAL, AND TRADE PROBLEMS

Administratively the postwar coalition governments, which were in power until June 1947, have been extremely weak. The tax system has been inadequate in respect to both structure and administration. Since the war, the tax structure has been developed through a policy of expedients designed to meet political demands and to yield quick returns through a weak collection system. Both continued inflation, which hampered determination of assessments, and inequitable tax provisions have encouraged evasions.

The upward trend in cost of living, wages, and government deficits continued unabated during the 2 years of Communist participation in the government. Inflation has continued unchecked from the end of the war until June of this year. In June currency in circulation was 28 times the 1938 figure, bank deposits 15 times, wholesale prices 63 times, cost of living 51 times, and wages 16 to 48 times the 1938 figure. Since June, when the Communists were forced to leave the Government, the general trend has been arrested and in some degree reversed.

The system of collections, rationing, and price control of essential foods has not been wholly effective. It is estimated that approximately 16 percent of the nonproducer consumption of grain flour and rice, the principal rationed foods, passes through black-market channels. Black-market food finds its way to a considerable degree into those hotels and restaurants which can be patronized only by the wealthy. Since meat is not rationed, nor is the price controlled, there has been a considerable diversion of grain to animal feeding. This has been accentuated by the general lack of confidence and is a form of hoarding.

Italian exports of fruits and vegetables to Germany, which were sufficient to cover the cost of imports of coal from Germany, have not been resumed since the war. Military Government in Germany has been unable to import such foods within the limits of appropriations to feed Germany, because their low-caloric content makes them an inefficient food for the German people.

The new Government has adopted a strong program for the stabilization of the lira, and as a result the black-market rate has dropped from 870 lire to 580 lire to the dollar. This program included considerable improvement in the tax-collection system, the levying of new taxes, strict control over the use of bank credit for speculative purposes, and a more rigid control over government expenditures.

Already the Government has had considerable success in increasing government revenues while at the same time maintaining control over government expenditures.

In order to minimize requirements for dollars the Italian Government should take certain further measures to assure that dollar earnings from exports and services will be utilized as effectively as possible.

Italy faces another serious problem in the reorganization of its industrial structure and conversion to peacetime production. Seventy percent of large and medium industry in Italy was taken over before

the War by the Fascist government. Today many of these industries, still under government control but inadequately supervised, are operating on government subsidies and consume vital fuel and raw materials in spite of inefficiencies in organization and management and poor adaptation to markets. Before and during the War many industries devoted almost their entire efforts to military production. These industries, especially the light-metals industries, must be reconverted to new products which can be sold abroad to pay for necessary imports of raw materials and food. If Italy is to become self-supporting, there must be considerable expansion in industrial exports in order to compensate for reduction in prewar revenues from emigrant remittances and for loss in prewar revenues from the sale of gold abroad.

United States aid to Italy since September 8, 1943, has totaled \$1,635,000,000. This is divided as follows:

	<i>Millions of dollars</i>
Civilian supplies distributed during military occupation prior to UNRRA--	510
Military and nonmilitary pay ¹ -----	305
Credits for surplus military property and ship purchases-----	201
Export-Import Bank commodity credits-----	30
less: repayment to date-----	9
	<hr/> 21
U. S. share of UNRRA-----	375
Export-Import Bank loan-----	100
Italian allocation of United States relief program (tentative)-----	125
Prisoner of war earnings-----	20
Restored Italian assets in United States ¹ -----	60
	<hr/> 1,717

Also 23 Ships: 8 Italian ships restored.

15 Italian ships lost which were replaced with United States ships.

¹ Claims waived under recent U. S.-Italian financial agreement.

THE PRESENT CRISIS AND THE REQUEST FOR INTERIM AID

The present Italian crisis is due primarily to the current impossibility of reestablishing normal trade relations between Italy and the rest of Europe, particularly Germany. It has been aggravated by the suspension of convertibility of sterling, by the unusually poor harvest, and by inflated prices in countries to whom Italy must look for emergency imports. As shown in table I Italy's current dollar receipts for exports amount to only 19 million dollars per month. Current dollar balances were approximately 42 million dollars on October 1, barely enough to serve as working capital. Total dollar requirements for the period October 1947, to March 1948, will be between 512 million dollars, based on grain allocations adequate to maintain present rations, and 435 million dollars, based on a more realistic estimate of grain availabilities.

Requirements for petroleum, fertilizers, and industrial raw materials appear to be roughly comparable in volume to previous imports and insofar as can be ascertained here they represent reasonable requirements. Cotton stocks probably will be sufficient to carry through at least a part of the emergency period without additional

purchases, although provision is made in the State Department estimates for further purchases.

Against these dollar requirements Italy expects to receive 113 million dollars from exports and 44 million dollars from various existing United States sources. Of the 100 million dollar Export-Import Bank loan, 90 million dollars has been approved for the purchase of fuel and essential raw materials. It is believed that this entire amount could be made available before March 31 if the Italian Government and Italian industries complete promptly the necessary contractual agreements. The State Department, however, estimates that only 60 million dollars will actually become available.

This will leave a deficit on March 31 of 214 million dollars based on the higher grain import estimate and includes cotton purchases, or 107 million dollars based upon the lower grain import estimate and without provision for cotton purchases.

At the time of suspension of sterling convertibility by the United Kingdom, Italy had a sterling balance of £31,000,000 and is now accumulating sterling at the rate of £1,500,000 per month. At the present time practically none of this sterling can be used to purchase essential food and raw materials. Those few essential commodities which can be obtained from nondollar areas often require dollars.

ESTIMATE OF PROBABILITIES

With respect to those political and economic factors over which the Italian people have had control, considerable progress has been made in overcoming the problems of the postwar period. The present trend is in the direction of strengthening the Government and in reestablishing economic and political stability. Major problems within the Government, however, are yet to be overcome. The Communist Party continues to present a threat to recovery and it can be expected that this minority group will do all in its power to negate the efforts of the Government and to cause its ultimate downfall.

If further aid makes possible the recovery of the rest of Western Europe, and if further aid is adequately supervised, it seems reasonable to expect that Italy can ultimately reach a position of economic self-support and political stability.

Without further aid and in the absence of political stability and of general recovery in Western Europe, it appears probable that economic conditions will become so desperate that the Italian people will not be as well able to resist the establishment of a totalitarian government.

ADDENDUM

Since the preparation of this report the Secretary of State has presented a revised estimate of interim aid required by Italy before March 31, 1948. Dollar requirements have been reduced to 485 million dollars based on grain allocations adequate to meet current rations and 398 million dollars based on more realistic estimate of grain availability. This reduction is due to a lower estimate of freight

costs, and is partially offset by an increase in estimated coal shipments. In the revised State Department estimates, cotton requirements have been reduced from 30 million to 15 million dollars. Blister copper for copper sulphate has added 9.3 million dollars to fertilizer costs. The requirement of 15 million dollars for settlement of clearing agreement balances has been omitted in the revised estimate. Requirements for other raw materials have been increased by 6 million dollars.

Estimates of funds available from the foreign-relief program have been increased from 20 million to 51 million dollars. This change adds 20 million dollars by reducing the estimated period between payment and shipment of commodities and adds 11 million dollars, which has been diverted from Austrian relief. The estimated deficit on March 31 is reduced from 285 million to 227 million dollars. If grain figures are reduced to quantities believed to be actually available, and if certain other figures about which there is some question (as already raised in the text) are deleted completely, the deficit is reduced to 66 million dollars.

For a tabular explanation and comparison of the differences in these estimates, see table I. It must be emphasized that the tentative reductions in the third column of this table, representing the committee's estimates, are not intended to establish a firm figure for authorization, but to indicate a point beyond which additional justifications are in the committee's judgment needed.

The State Department figures have been presented in the estimate of November 10 on the basis of 4 months (December-March) rather than 6 months, the basis of the previous estimate. The revised estimates indicate that funds available in October and November exactly equal expenditures. For the purposes of comparison the revised estimates shown in table I cover the 6-month period from October to March.

TABLE I.—*Italian requirements for interim aid—Oct. 1, 1947, to Mar. 31, 1948*

[All quantities in thousand metric tons; dollars in millions]

	State Department estimates		
	Preliminary (Oct. 21)	Revised (Nov. 10)	
		As presented by Secretary of State	Tentatively reduced by inclusion of certain possible additional resources; by deletion of certain expenses for which committee desires further justification; and by reduction in estimates of U. S. grain availabilities
Cereals:			
United States:			
Quantity.....	1,145 (State) ¹	1,145 (State) ¹	618 (committee estimate).
Cost (\$125 per metric ton).....	143.0	143.0	\$77.3.
Freight.....	\$22.9 (\$20/ton)	\$17.2 (\$15/ton)	\$9.3 (\$15/ton).
Argentina (no dollar cost).....	240	240	240.
Canada and Middle East, quantity.....	200	200	200.
Cost (\$170 per metric ton).....	\$34.0	\$34.0	\$34.0.
Freight (\$13 per metric ton).....	\$2.6	\$2.6	\$2.6.
Total cereals, quantity.....	1,585	1,585	1,058.
Cost.....	\$202.5	\$196.8	\$123.2.
Fuels:			
Coal:			
United States:			
Quantity.....	3,600	3,800	3,800. ⁵
Cost (\$10.50 per ton).....	\$37.8	\$39.9	\$39.9.
Freight (\$11 per ton).....	\$39.6	\$30.8 ²	\$30.8.
Ruhr:			
Quantity.....	750	750	750.
Cost (\$15 plus \$6.50 freight).....	\$15.0	\$15.0	\$15.0.
Petroleum products.....	\$30.0	\$30.0	\$30.0.
Total fuels.....	\$122.4	\$115.7	\$115.7.
Fertilizers:			
Phosphate rock and nitrogen.....	\$9.6	\$9.6	\$9.6.
Blister copper for copper sulphate and miscellaneous agricultural supplies.....		9.3	9.3.
Total food, fuel, and fertilizers.....	334.5	331.4	257.8.
Cotton.....	\$30.0	\$15.0	(³).
Other raw materials.....	\$110.4	\$116.1	\$116.1.
Export-import loan repayment.....	\$6.0	\$7.0	\$7.0.
Deposit on United States war claims.....	\$5.0	\$5.0	\$5.0.
Settlement of clearing agreement balances.....	\$15.0		
Invisibles.....	\$6.0	\$7.0	\$7.0.
Interest on war surplus credit.....	\$5.0	\$4.0	\$4.0.
Total expenditures.....	\$511.9	\$485.5	\$396.0.
Funds expected to become available:			
Receipts on current account.....	\$113.0	\$114.0	\$114.0.
Suspense account.....	\$9.0	\$9.0	\$9.0.
United States foreign relief.....	\$20.0	\$51.0	\$51.0.
POW trust fund account.....	\$15.0	\$15.0	\$15.0.
Liquidation of blocked assets.....	\$10.0	\$10.0	\$10.0.
Export-import loan.....	\$60.0	\$60.0	\$90.0. ⁴
Total current funds.....	\$227.0	\$259.0	\$289.0.
Dollar funds available Oct. 1.....			\$42.0. ⁴
Total.....	\$227.0	\$259.0	\$331.0.
Deficit, Mar. 31, 1948.....	\$284.9	\$226.5	\$65.9.

¹ Based on 270-gram ration.² State Department estimates that Italian ships can carry 3,000,000 tons and that necessary payments to Italian firms for transporting this quantity will be 30 percent lire and 70 percent dollars. The balance of coal shipments, 800,000 tons, will require full dollar payment for freight.³ As questioned on p. 2, cannot cotton be financed by the Export-Import Bank?⁴ The committee questions whether or not the sum of \$90,000,000, the total allocated for final and industrial raw materials from the Export-Import Bank loan can be made available within the interim-aid period.⁵ The committee questions whether or not at least a part of \$42,000,000 in dollars funds held on Oct. 1, 1947, by Italy and not shown in State Department estimates can be applied to expenditures. It may be that all or part of this unmentioned sum can be regarded as a legitimate "working balance."⁶ Coal estimates increased by 200,000 tons in revised State Department figures are based on expectancy of increased allocations.

THE FRENCH CRISIS AND INTERIM AID

PRELIMINARY REPORT TWO

SUBCOMMITTEE ON FRANCE AND THE LOW COUNTRIES

CONSISTING OF

CHARLES A. WOLVERTON, New Jersey, *Chairman*
W. KINGSLAND MACY, New York
EUGENE J. KEOGH, New York
A. S. MIKE MONRONEY, Oklahoma

APPROVED BY

HOUSE SELECT COMMITTEE ON FOREIGN AID

PURSUANT TO

H. Res. 296

A RESOLUTION CREATING A SPECIAL COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1947

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80TH CONGRESS <i>1st Session</i>	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 1146
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THE FRENCH CRISIS AND INTERIM AID

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT TWO

THE FRENCH CRISIS AND INTERIM AID

I. INTRODUCTION

This report is an attempt to summarize the major factors in the present crisis in France's balance of payments and to set forth the dollar requirements for the so-called interim-aid period. The interim-aid period was defined by the Executive Branch as that period of time during which aid was required but during which a new agency or new method of handling aid could not become fully operative. Originally the interim-aid period was of 6 months' duration, from October 1, 1947, to March 31, 1948, but the report of the Secretary of State submitted to Congress on November 10 covers only the 4-month period from December 1, 1947, to March 31, 1948.

There have been a long series of estimates of the amounts of interim aid required emanating from the Executive Branch, but only the estimate of November 10 is an official request to Congress for an appropriation of funds. The difference between the figures in the November 10 estimate and those prepared by the Departments of State and Treasury on October 31 will be discussed in the body of the report. The only important difference is that the November 10 estimate includes sums for payments to be made prior to March 31, 1948, for the shipment of commodities for 1 month after that date in order to maintain the flow of goods in transit. This inclusion is not made clear for commodities other than wheat in the text of the November 10 report of the Secretary of State, but is the only way in which the November 10 figures can be reconciled with the estimates of October 31.¹

The present study was compiled from the findings of the committee together with the estimates furnished on October 31 by the Departments of State and Treasury, which are given as tables I and II and for which explanations are offered. The committee wishes to draw attention to the following passages in the Report of the Secretary of State on Interim European Aid submitted to Congress on November 10, 1947:

On page 7 it is stated: "The funds requested will not cover requirements beyond March 31, 1948." However, in the break-down on page 21, the explanation is made in the case of wheat that the \$100,000,000 asked for wheat "represents imports of 750,000 tons of wheat (and flour) from the United States in the period December 1, 1947, through April 30, 1948, for which payments are due within the period December 1, 1947, through March 31, 1948." The figures offered by the Secretary of State (appendix E, p. 37, Interim European Aid) are put on a 6 months' basis of expenditures at table III of the appendix

¹ The committee notes that there is nothing to indicate that this added dollar requirement to maintain the flow of goods, or what amounts to a fifth month's requirements, was used for the Secretary's estimates of Italian needs.

to the present document, which compares with figures supplied as of October 31 in table I of this document.

The dollar resources already available to France, according to the estimate of November 10 (appendix E, p. 38, Secretary's report), are given in table IV of this document, which may be compared, with slight changes in arrangement, to table II, the estimates of October 31.²

The committee can only feel that the later presentation of November 10 is confusing in its use of figures without explaining the "pipe line" (which means the maintenance of an unbroken flow of goods beyond the March 31 date) which the committee had broken down at the end of table II, showing the distribution among commodities of the \$72,000,000 needed in March to pay for future deliveries that run through April. In this October 31 "pipe line" there was no provision for cereals. This is the only item mentioned for which a "pipe line" is admitted to be included in the November 10 tables. In all other instances that the committee has been able to check, the differences between the two estimates which produce the larger figure for expenditures in table III, as compared with table I, consist in distributing the "pipe-line" figure among the commodities concerned. It will readily be understood that such a procedure involves serious difficulties in checking the basis on which estimates are made.

The committee feels that the appropriating committees should take particular note of the following points in the November 10 presentation of the Secretary of State as compared with the October 31 estimates discussed in this study:

(1) On page 21 of the November 10 Report submitted by the Secretary of State, there is the following assumption: "On the basis of United States over-all export availabilities estimated at 520 million bushels of wheat, it is believed that the above French import requirements for United States wheat can be met." It is on this basis that the dollar requirements are stated to be \$100,000,000 for wheat and \$11,000,000 for ocean freight; and the higher estimates for the 250-gram daily bread ration are used as the normal figure for French dollar requirements rather than the lower figure of 200 grams contained as an alternative in the previous estimates. There is a statement in the text that "If the anticipated increase in export availabilities of United States wheat is not realized and the present 130,000 ton monthly allocations of wheat to France are maintained, United States wheat exports for this period would be only 650,000 tons, representing an expenditure of \$85,000,000 (plus freight charges of \$9,000,000)." It must be remarked that these figures are on a 5-month basis (including 1 month "pipe line") rather than on the 6-month basis with which other comparisons have been made. They nevertheless indicate that the Department of State is stating its dollar requirements upon a wheat allocation figure for United States all exports to all foreign countries higher than that suggested by any other official sources. The highest figure so far suggested is 500 million bushels of wheat rather than 520 mil-

² There is an additional \$60,000,000 in table IV, Earnings from Exports on Goods and Services to Dollar Areas, which had been included in table I rather than table II of the estimate furnished to the committee on October 31.

lion bushels, and there is grave skepticism in informed agricultural quarters as to whether the 500-million-bushel goal can be reached. If this export figure is to be reached, exceptional measures will certainly be indicated in cutting down the feeding of wheat and its use for other than human consumption purposes. The estimate of the prospective winter-wheat crop in the United States throws further doubt on this point.

(2) Milk products have been added. For some reason, they were omitted from the previous figures submitted, along with meats. Justification of condensed, powdered, and unsweetened milk is, however, quite reasonable in terms of the dietary requirements of France.

(3) In the course of the revision, the steel estimate of \$35,000,000 for the 6 months' requirements for France in the earliest figures submitted to the committee was reduced to \$27,000,000 on October 31 and finally to \$10,000,000 for the 4 months from December 1, 1947, through March 31, 1948. This seems to indicate that the Department of State has made a real effort to reduce the requirements of France during this period for tight steel.

In other respects, the tables seem reconcilable, provided one adds in the "pipe-line" figures which are not revealed in the November 10 estimates submitted by the Department of State. It is felt that this explanation is necessary to make possible a reconciliation of the present text with the tables submitted on November 10 and the explanations submitted by the Department of State to accompany them, all of which will be printed as a public document in the joint hearings by the Senate Foreign Relations Committee and the House Foreign Affairs Committee of that date.

The Subcommittee on France, and the Low Countries consisted of Charles A. Wolverton, chairman, W. Kingsland Macy, Eugene C. Keogh, and A. S. Mike Monroney. The subcommittee held extensive conferences with Government officials in each country, with United States Embassy staffs and American businessmen in Europe, and with representatives of business, labor, and farmers. Also, trips were made to ports and harbors, market districts, key rural and industrial areas, factories, and private homes.

Any short analysis of the political and economic aspects of the French crisis runs the risks of omission and distortion, but the attempt must be made, if a rational basis is to be found for determining American policy with respect to France at this time. At a later date a more detailed study will be issued covering the longer-term problems of the French economy and the findings of the subcommittee under Chairman Charles A. Wolverton.

II. SUMMARY

1. The basic importance of the French political situation is clear, and its significance as the key to western Europe cannot be ignored. On the forecast of the recent municipal elections, it is possible that the

instability of the French political situation will be accentuated, if the Assembly is split into Left and Right groups of about equal strength, with a comparatively small center group.

2. France emerged from the war in poor economic condition, as a result of extensive physical damage, lack of maintenance and raw materials, and dislocation of trade. Since the war, however, great progress has been made toward rebuilding the economic system and in April and May, 1947, the index of industrial production reached prewar levels. It has since declined slightly as a result of developing shortages. The Monnet plan, which is designed to replace capital losses and to modernize France's industrial plant, contemplates an increase of output to a level of 60 percent above 1938 by 1950.

3. France has not been able to restore her export trade to the degree necessary to balance her imports. A large part of her prewar trade went to her colonies and to neighboring European countries and the latter especially are not in a position to import from France in substantial volume at the present time. Consequently she has not been able to obtain the overseas income required for the purchase of necessary raw materials, and in August 1947, all dollar purchases, except of cereals, coal, fats, and oils, were stopped. The overvaluing of the franc has helped to price her out of export markets, since prospective sellers and buyers alike tend to wait for more francs for the dollar.

4. Coal is generally considered the principal element in the French industrial problem, and major efforts are being made to increase domestic production, partly through recruiting foreign laborers. However, France has never been able to produce more than two-thirds of her total coal needs and must now look mainly to the United States to replace the lack. Petroleum and petroleum products must also be imported.

5. The food problem is mainly one of cereals, fats and oils. The wheat crop has been the poorest in many years (estimated at 50 percent of normal), and wheat must be imported from all sources at a rate of nearly 160,000 tons a month to meet even the minimum current daily bread ration of 200 grams. Fats and oils must be imported in considerable quantity. The goal is a daily average diet of 2,400 calories per person, but this is based on a ration of 250 grams of bread per day, and would, of course, be lower if figured on a ration of 200 grams of bread per day. Even the higher figure amounts to approximately half a pound a day, and bread is the main staple of French diet.

6. Nitrogenous fertilizers are badly needed to increase the productivity of the soil which deteriorated seriously during the war years.

7. The dollar cut imposed by the French Government in August 1947 has had the effect of drawing on "pipe-line" reserves, and if this supply line of essential raw materials is not replenished during the first months of 1948, it may mean that production in various industries will decline as much as 50 percent.

8. French officials are now working on the problem of revising the French fiscal policy in order to halt the present ruinous inflation. But inflation can be halted by bringing French production, and world markets for it, into a healthy balance.

9. France's great reliance on the dollar area for the import of necessary raw materials and foods leads to an uncovered deficit of between

\$315,000,000 and \$360,000,000 for the 6 months (October 1947 to March 1948), depending on whether the 200-gram or the 250-gram bread ration is used as a basis for calculations, or an uncovered deficit for the 4 months (December 1947 to March 1948), plus 1 month "pipe line," of from \$311,000,000 to \$328,000,000, depending again on the size of the bread ration.

10. The present French economic and political crisis would appear to indicate that at least interim assistance is required to finance the necessary imports for maintaining the French economy.

III. THE POLITICAL SITUATION

The political factors are necessarily less specific than the economic but are equally critical. The basic importance of the political aspects is clear and their implications must be squarely faced. France remains the key to western Europe, and her existence as a free country is the foundation of any policy that seeks to maintain the democratic system in that area. France has been physically and psychologically damaged by war and occupation to a far greater degree than had at first been realized. The damage in both respects was clearly greater in World War II than in the earlier conflict, though her immediate manpower losses were far less.

In this situation, the Communist Party has thrived, until it boasts the largest representation in the National Assembly—167 seats out of 613, i. e. a percentage strength of 27.02 without counting minor parties, which follow the Communist lead. The political strength of the Communist Party during the past 2 years has only recently been threatened as a result of the municipal elections, which were largely fought on national issues. As a consequence, General de Gaulle and his group (the Rally of the French People) emerged as a new and potent force in French politics. The RPF polled nearly 40 percent of the vote on an anti-Communist platform, but its strength has been drawn largely from defections from right-of-center party, the MRP, and not from the Left. On the whole, the Communists maintained their hold over a substantial fraction of the municipal electorate. The Socialists, the third largest party, made slight gains.

Comments from qualified observers hold that the immediate effect of this election may be to accentuate the instability which has long been the bane of French politics by splitting the French people and the French Assembly into Left and Right groups of more or less equal strength. Whether General de Gaulle can achieve power and, if he does, will adopt the necessary measures of stabilization and reform that the present Center coalition government had planned, remains uncertain. The coalition government may be regrouped and continue to govern. In any event, the election has not lessened the importance of effective action in the economic sphere which might ameliorate the political crisis.

IV. ECONOMIC PROGRESS SINCE THE WAR

France emerged from the war with her economic system badly distorted in comparison with the relative stability of her prewar economy. Prior to 1939 food represented only 10 percent of her imports, and

France was nearly self-sufficient in basic food requirements. Other raw materials, however, including one-third of her coal and almost all of her petroleum, constituted 70 percent of French imports. The United States in 1938 supplied 11 percent of French imports. On balance, France had a substantial trade deficit, which was usually covered without difficulty by corresponding earnings from shipping services, tourist trade, etc. French industry was technologically retarded even before the war. A substantial portion of its products went to the French colonial empire, which was the largest single customer and supplier of metropolitan France. The importance of the proper management and practical development of the French colonial empire as an integral part of the French economy cannot be overemphasized.

The loss during the war as a result of destruction and seizures by the enemy has been estimated as high as \$21,000,000,000, but this takes no account of the capital deterioration due to lack of maintenance and raw materials and the general dislocation of economic relationships. The extent of the shock to French industry is graphically illustrated by the index of industrial production (1938=100) which averaged 41 for 1944 and stood at only 60 even at the end of 1945. In terms of physical damage, it has been estimated that in France 1 building out of 22 had been destroyed or damaged, as compared with 1 out of 25 in Holland, 1 out of 38 in Belgium, and 1 out of 65 in England, according to statistics supplied by the French Government. This damage may well be overestimated, as war damage usually is. But it is critically serious. The effect on productivity has been equally striking, the French general average being 78 percent of the prewar base.

Through the efforts of the French people and with substantial American (estimated at nearly \$2,000,000,000) and other postwar aid, the French economy gradually recovered from the low point of the Liberation as shown in the following table:

*Index of French industrial production*¹

[1938=100]

1946—January	60	October	90
February	69	November	90
March	72	December	89
April	79	1947—January	88
May	84	February	95
June	85	March	96
July	80	April	102
August	68	May	102
September	84	June	97

The index turned downward in the late spring of 1947. It is likely that there may be a further temporary decline as a result of the key shortages that will be referred to in the ensuing discussion of the principal factors in the present situation.

Although there is a slight decline at present, great strides had previously been made after the war in restoring important segments of the economy. For example, by the end of 1946, all the de-mining and clearing of battle areas had been accomplished, and 60 percent of the repairs of partially destroyed buildings had been completed, accord-

¹ Source: United Nations Monthly Bulletin of Statistics, September 1947, p. 30.

ing to statistics received from the French Government. Likewise, remarkable progress had been made in restoring the transportation system. Steam locomotives, roughly 12,000 serviceable in 1939 and 3,000 in September 1944, numbered 9,700 serviceable by August 1947. Even better progress was made for freight cars and other categories of rolling stock and the railways are moving in 1947 almost 110 percent of the tonnage moved in a similar period in 1938. It should be pointed out that this remarkable restoration of the French railways was accomplished by substantial shipments and transfers of American rolling stock and by the vigorous efforts of the French railway workers and managers.

The objectives of French efforts to reconstruct their economy are summarized in the Monnet plan adopted in January 1947. It is designed to replace capital losses of the depression and war, and to modernize France's industrial plant so that the country can regain economic stability. The plan contemplates an increase of output by the end of 1950 to a level of 60 percent above 1938, or 25 percent above 1929, France's peak production year, by concentrating on rebuilding six so-called "basic industries": coal, power, steel, cement, agricultural machinery, and transport. Prepared by joint commissions representing government, industry, and labor, the Monnet plan has had the support of all elements of the French people.

V. THE PRESENT CRISIS IN THE BALANCE OF PAYMENTS

Despite these efforts, however, and the assistance extended by other countries, mainly through large postwar loans and grants from the United States, France was unable to reestablish the stability of her economy. By the spring of 1947 symptoms of the gathering crisis began to appear. While attempts were made continuously to restore French exports and thereby obtain the means of payment for needed imports, these efforts met with little success for a variety of reasons, the chief cause being an overvalued franc which raised export dollar costs. Before the war a large portion of French exports went to the French colonial empire in exchange for imports of raw materials, but now unrest in Indochina and Madagascar and labor, capital and consumer goods shortages in French African possessions severely limit the trading capacity of the colonies. France's European neighbors were too impoverished by the war to afford goods from France, whose exports always contained a large percentage of relatively nonessential consumers' goods. High costs of production due to the inflation in France also drastically limited the ability of French exporters to sell in Latin America and in the dollar markets of the United States and Canada. As a result, the French export program lagged seriously, and France was consequently able to earn only a fraction of the overseas income required to enable her to purchase necessary raw materials. Despite dollar loans from the Export-Import Bank, the International Bank for Reconstruction and Development, and drawings upon the International Monetary Fund, France could not obtain the means of payment for even a minimum program of imports.

On August 26 all dollar purchases except of cereals, coal, fats, and oils were stopped. The result has been a severe set-back to French reconstruction efforts.

Another element in the present French crisis is the severance since the war of the important economic relationships between France and Germany. Despite the traditional political antagonisms of those two countries, economic ties have always been strong and Germany has been one of the chief suppliers of, and markets for, France. Unless and until there is some restoration of Germany's ability to produce and consume, with adequate safeguards, of course, against the rebuilding of Germany's war potential, there will be great difficulty in restoring the stability of the French economy.

Likewise, the solution of the economic problems of Belgium, the Netherlands and Luxembourg would be greatly assisted by favorable developments in the French situation. The economies of the western European nations are indissolubly linked and recovery is, in the last analysis, a common problem for all the countries concerned. The extent to which France and Germany cannot contribute their shares is the extent to which recovery in all the other countries will lag.

The existing situation which requires interim aid has been greatly aggravated by failure to recognize more quickly the relationship between the recovery of Germany and the economic health of all the surrounding countries, and to take action accordingly.

VI. KEY IMPORT SHORTAGES

The main outlines of the present French crisis will be sketched below in terms of the principal import materials France requires and for which she no longer possesses adequate resources for payment, particularly food, fuel and fertilizers.

A. Food

The food problem of France centers on cereals and fats and oils. As to cereals, France has had a bad wheat crop in two of the three crop years since the liberation. Prior to the war, the average wheat crop totaled 8.1 million tons. This year, because of a winter freeze and summer drought, the crop has been variously estimated at from 3.1 to 4.1 million tons. This drastic decline from prewar has been caused by natural factors—lack of fertilizer, bad weather, and soil deterioration during the occupation—but has been augmented by low price policies and inflation. As a result of these factors, the acreage planted for wheat is now about one-fifth below the prewar figure, although the percentage planted has increased since the occupation. The French Government has undertaken various measures to combat these earlier mistakes. Prices were permitted to increase slightly and an 11-point program of inducements, checks, and penalties has been undertaken in an effort to increase both farm collections and acreage planted.³

On September 1 the French Government reduced the bread ration from 250 grams per day to 200 grams, which is lower than the lowest official ration under the German occupation. The psychological and political effects of this action have yet to be fully felt in a country where bread constitutes a major element of the diet.

French import grain requirements for the interim period have been based on the alternatives of maintaining a 250-gram or 200-gram

³ However, the new prices are still only one-third the black-market prices.

daily bread ration. The amount required on the lower assumption, namely 100,000 tons a month from the United States and 60,000 tons a month from other sources, corresponds closely with estimated availabilities. However, the interim-aid program submitted by the Secretary of State on November 10 provides for a wheat import of 150,000 tons per month from the United States and 40,000 tons per month of all grains from other sources. If such a quantity of grain were available, it would enable reestablishment of the bread grain ration at 250 grams per day. It is unlikely that the United States grain availabilities will be sufficiently large to permit much more than 100,000 tons per month to be shipped to France, which will be sufficient only for the present ration of 200 grams per day. The dollar requirements, therefore, range from \$11,000,000 for 4 months plus 1 month "pipe line" on a ration of 250 grams to \$94,000,000 on a ration of 200 grams.

The French estimate of interim requirements for fats and oils is \$40,000,000 from the dollar area in the October 31 program and \$32,000,000 in the November 10 program. This figure compares with imports of \$38.3 million in the first 6 months of 1947. With a lowered bread ration, fats and oils assume greater significance in the diet.

For the present crop year a national average diet of 2,400 calories per person per day is the objective, but this is based on a 250-gram bread ration and must be correspondingly reduced if the bread ration remains at 200 grams. This average figure conceals the dangerous fact that the urban worker consumes less than 2,400 calories per day while farms groups and patrons of "black markets" consume much more. It has been estimated that the urban worker has to spend 70 to 80 percent of his income on food, and even this does not obtain for him the minimum legal ration. An unskilled laborer receives only 295 francs a day and the daily diet is estimated to cost 290 francs.

Since it is unlikely that grain will be available in sufficient quantities to restore the higher ration, it will probably be advisable to substitute other foods in order to maintain the 2,400 calories per day diet. Studies should be made by the responsible agricultural authorities of the advisability of shipping increased quantities of dehydrated foods, such as potatoes, and of sugar, soya bean meal, and surplus canned foods.

B. Coal

Since the Liberation, France has made a major effort to increase domestic coal production. In August 1944, production of coal and lignite had dropped to barely one million tons a month, but by October 1946 it reached a peak of 4,682,000 tons a month. This compares with a monthly average in 1938 of 3,964,000 tons. Production has increased to a point above the level of 1938 (a depressed year in France, however), but has been accomplished by a labor force 140 percent of 1938. Many of these were prisoners of war who are now being released. A major problem in sustaining even the present level of production is the recruitment and training of replacements. Efforts are being made to employ the prisoners on a voluntary basis, and to recruit Italian and other foreign laborers. Efforts to use Italian manpower (not selectively recruited) have met with limited success, but further rapid increases in production cannot be anticipated in view of manpower,

food, and other shortages. In fact, the high percentage of labor force required to mine coal reflects a lack of equipment and a decline in productivity per worker, which on the average for French industry has been estimated at 78 percent of 1938. This decline in productivity is common to all the liberated countries and may be attributed to the effects of war and of the food and housing and machinery shortages, as well as to political and psychological factors.

Despite the gains in total output, however, France can produce from her own resources only two-thirds of her coal needs. She has had to look to the United States to replace in part coal import requirements (usually more than 20,000,000 tons per year) which before the war came principally from England and the Ruhr. In 1946 imports supplied 10,000,000 tons, but this was not enough to provide the total coal availabilities of 1938. During 1947 imports in the first 6 months were below schedule, but are now at 1,200,000 tons a month from the United States alone, which is the basis for the French requirements, as modified by State and Treasury Department estimates in table I. The necessity of importing United States coal constitutes a serious dollar drain, but the quantities are essential to maintain the present rate of industrial production. Only through increases in domestic production and an unlikely immediate increase in imports from her previous European sources can this serious limitation in the French economic situation be overcome. In the meantime France must rely on United States imports plus the several million tons a year she gets from Germany.

France has also been dependent on imports for petroleum and its products, for which dollars are required. During the first half of 1947 dollar imports of petroleum products of France and her colonies totaled \$66,000,000. Her present 6-month estimate is \$60,000,000; the corresponding 4-month (plus 1 month "pipeline") figure being \$45,000,000. Either figure will meet industry requirements at the present levels but does not permit expansion of production and transport.

C. Fertilizers and other materials

Fertilizer requirements from the dollar area for the 6 months interim period have been estimated at \$14,000,000. The corresponding estimate in the November 10 report is \$9,000,000. These requirements are largely for nitrogenous fertilizers and are designed to increase production. The year's import requirements for nitrogenous fertilizers based on expected allocations have been estimated at 59,000 metric tons (CEEC estimates).⁴ This requirement compares with imports of 56,000 metric tons for the fiscal year 1946-47 (CEEC figures). The increase is based on the need for rebuilding impoverished French soil.

"Other raw materials" included in the interim period requirements are based on the assumption of supplying the minimum raw materials necessary to keep French industrial activity at the current rate without fully replenishing the pipe-line losses caused by the dollar cut

⁴ Committee of European Economic Cooperation, conference of the 16 western European nations held in Paris in July and August 1947.

imposed by the French Government on August 26, 1947. While these requirements have been only roughly screened by the departments which prepared them and no adequate break-down is available, they are only slightly higher than similar figures for the first 6 months of 1947. Consequently they are intended only to keep the economy afloat, not to give it the big jump anticipated in the CEEC plans.

VII. THE EFFECTS OF THE CRISIS

The significance of the various unfavorable factors that have been discussed can be assessed against the background of their effect on the Monnet plan. The plan called for a level of industrial activity of 100 to 115 percent of 1938 by the end of 1947. Coal production had been planned at the annual rate of 55.5 million tons, whereas the first 5 months on an annual basis are estimated at 52 million. Similarly, steel production had been planned at an annual rate of 7 million tons and the estimate based on the first 5 months is 5.8 million tons.

Set-backs in other areas will have the cumulative effect of retarding the ultimate realization of the plan's objectives of putting the French economy on a viable basis. Even these estimates take no account of a possible further decline in production as a result of the suspension of dollar imports. If the supplies of essential raw materials are not continued during the first half of 1948, it has been estimated that production in various industries will decline from 10 to 60 percent. In cotton textiles, for example, the decline has been estimated at 60 percent; in shipbuilding, 30 percent; in agricultural and food industries, 20 percent. The second half yearly import program for materials not including equipment was originally estimated at over 1 billion dollars from the dollar area. When it was canceled on August 26, 1947, only limited amounts of dollars were set aside for the purchase of a reduced cereal, coal, and fats program. Recently, a further small amount has been freed for the purchase of petroleum and key "bottleneck" items required to keep factories going.

In addition to the effect of reduced imports, the economic situation has been seriously affected by the inflationary movement which in turn has accentuated labor unrest. There were strikes in the spring of 1947 which caused a decline in production, and the mounting inflation threatens further difficulties, apart from political considerations arising from the effective Communist control of the C. G. T., the dominant French labor union. The tactics of this body are the usual ones to prevent stabilization and are similar to those used in Italy. (See committee report on Italy.)

VIII. INFLATION AND FISCAL POLICY

Wholly apart from the realization of the Monnet plan, any prospects for minimum recovery in France depend upon vigorous measures being taken by the French Government to stabilize the economy and to halt the ruinous inflation. The present state of inflation can be gauged by reference to the rise in monetary circulation and prices. The trend of rising prices was temporarily halted by the Blum experiment (stabilization of prices and wages) in early 1947 but the

failure of production to reach necessary levels caused a break-down in the spring, and the trend of prices has been upward since then. Thus, in terms of 1938 as 100, wholesale prices have increased from 276 in December 1944, to 469 in December 1945, to 842 in December 1946, and to 998 in July 1947. Food products alone have increased from 275 at Liberation to 1,211 in August 1947. Retail prices in Paris have risen from 290 at Liberation to 1,068 in August 1947. Similarly, but in lesser degree, hourly industrial wages, on the basis of 1938 as 100, have increased from 248 in October 1944 to 528 in April 1947 (all price and wage indices from Bank of France). Banknote circulation of the Bank of France increased from 111 billion francs in December 1938, to 838 billion francs on August 28, 1947. Other monetary statistics confirm this same trend.

An analysis of the French budget figures reveals a similarly unsatisfactory fiscal situation. Total State expenditures have increased from 115 billion francs in 1938 to 1,001 billion (estimate) in 1947. This represents a three-fold increase if the changes in the value of the franc are taken into account and would probably be modified still further if the present real purchasing power of the franc could be calculated.⁵ Of the above expenditures, military expenses have been estimated at 33 percent of the budget in 1945 and at 24 percent in 1947. Expenditures covered by budgetary receipts has been estimated at 50 percent in 1945, 56 percent in 1946, and 62 percent in 1947. The deficits have necessitated continued borrowings from the Bank of France and other measures which have only added to the inflationary spiral.

In view of these facts, stabilization is long overdue and the need for it was stressed by all the Government ministers interviewed by the subcommittee in Paris. Each of them referred to the Government's stabilization program, parts of which had already gone into effect, and indicated a firm intention to push the program to completion. It was planned to draw up during October a stabilization program on the basis of group participation similar to the way in which the Monnet plan was prepared. Revised budget estimates would be submitted to the National Assembly, tighter enforcement of existing controls would be undertaken, tax reforms introduced, and further reductions made in military and bureaucratic expenditures. The necessity of stabilization as a condition for foreign aid was recognized, but it was also stressed that continuation and improvement of production and adequate foreign assistance would both be required for the stabilization program to succeed.

IX. FRANCE'S INTERIM DOLLAR NEEDS

The many internal difficulties already summarized are ascribable in great degree to the serious shortages that have disrupted France's post-war economy. A major element in this unbalance is the reliance on

⁵ The following table shows changes in the value of the franc relative to the dollar: 1918, 19.6 cents; 1920, 6 cents; 1922, 9 cents; 1926, 2.5 cents; 1936, 6.5 cents; 1938 2.8 cents; 1940, 2 cents; 1945, 1.7 cents; and 1946, 0.8 cent.

the dollar area for supplies. The October 31 estimate of the dollars required for supplies during the interim 6-month period varies from \$585,000,000 to \$630,000,000, depending on whether a 200-gram or a 250-gram bread ration is assumed. (A break-down is given in table II.) In addition, approximately \$146,000,000 has been estimated as necessary during this interim period for other expenditures. These expenditures include such major items as payments of deficits on trade agreements with Brazil and Belgium, interest and amortization on foreign debt, and support of the French Zone in Germany.

These expenditures together total \$731,000,000 on the 200-gram bread-ration estimate, which is more in accord with grain-supply possibilities or \$776,000,000 with the higher ration. As against these projected dollar expenditures during the interim period, dollar receipts from exports and other items are estimated at the rate of \$10,000,000 a month, or only \$60,000,000 for the period. This leaves a deficit on current account of \$671,000,000 to \$716,000,000, depending on the bread-rationing assumption. To balance this deficit, it has been estimated that \$428,000,000 of resources will be available during the interim period. This includes the maximum funds from credits already established with the international lending agencies, the liquidation of declared or identifiable French dollar securities (no account has been taken here of the undeclared and unidentifiable dollar resources owned by French nationals in the United States, which will be considered by the committee when further data becomes available), the French share of German gold, the recent shift in the Export-Import Bank loan making funds available for raw-material purchases, settlement of the United States Army account, and the remaining balance in the French stabilization fund. Excluded are the \$440,000,000 reserve in gold and dollars of the Bank of France, which has been estimated as the minimum safe reserve for the national currency, and against which are outstanding commitments for dollar exchange, estimated as high as \$300,000,000.

Making full use of the estimated available resources of \$428,000,000 will still leave an uncovered deficit of \$243,000,000 to \$288,000,000, depending on the bread-ration assumption. This estimate of new funds required during the interim period (October 1947–March 1948, inclusive) does not take account of dollar payments that would be required in March 1948, in order to maintain the pipe line of deliveries during April 1948. The dollar funds required during March for this purpose have been estimated at \$72,000,000. This would increase the new funds required during the interim period to \$315,000,000 or \$360,000,000, again depending on the bread-ration assumption. (See tables I and II.)

The most recent estimate of French dollar requirements submitted by the Secretary of State on November 10 for the 4 months period from December 1, 1947 to March 31, 1948, plus the 1 month "pipe line," total \$556,000,000. Of this total, \$490,000,000 is for supplies needed by France, the French Zone of Germany and French overseas possessions. The remaining \$66,000,000 is for other payments such as interest on the foreign debt, contributions to international organi-

zations, and sums due to Belgian and Brazil under existing credit and trade agreements. The Secretary's estimate includes United States grain shipments to France at the level of 150,000 tons per month. If grain shipments cannot be raised to that rate, but are maintained at present levels, the dollar requirements will be reduced by \$17,000,000 to a total of \$539,000,000. If, however, as suggested above, other foods are substituted for grain in order to attain a daily ration of 2,400 calories, the increased cost may more than absorb the \$17,000,000 savings.

As against these projected dollar expenditures during the 4-month interim period, dollar receipts from exports and other items are estimated at the rate of \$10,000,000 a month, or only \$40,000,000 for the 4-month period. The available dollar balance on December 1 from Export-Import Bank and International Bank loans and from drawings on the International Monetary Fund will be approximately \$153,000,000 (see table IV). It is estimated that during the 4-month aid period the liquidation of French dollar securities will yield \$35,000,000. The total available dollar resources, therefore, will be \$228,000,000, leaving an uncovered deficit of \$328,000,000 on the higher bread ration, and \$311,000,000 on the lower.

X. CONCLUSION

In conclusion, it appears that maintenance of the present level of industrial production and of a daily bread ration of only 200 grams would require something close to \$315,000,000 in new dollar funds during the period October 1947 through March 1948, inclusive, or \$311,000,000 on the November 10 program, and that these sums would prevent any break in the "pipe-line" of supplies. To raise the daily bread ration to 250 grams will require \$45,000,000 more in the 6 months' period and \$17,000,000 more in the 4 months' program. These estimates are the best obtainable at the moment, and it is doubtful whether their accuracy would be much improved by any further investigation that cannot go into the details of each program and get more facts from the French Government. The complex nature of the problem they are designed to illustrate, as well as the relative backwardness of the French statistical reporting system, make it virtually impossible to assess France's present dollar needs with anything like the accuracy possible in treating similar problems with respect to the United States. The chief value of the above estimates for the interim aid period is the fact that both in total and in detail they roughly approximate the actual shipments from the United States to France during the last 6 months. Studies are in progress on the longer-term requirements of France. A more detailed analysis will be possible when these investigations have been completed.

The most serious question that is raised about the figures is whether actually the stated needs of France can be met not by dollars alone but by available commodities. The requirements for dollars may be substantially less than is indicated by the Secretary of State—not because the needs are not real, but because the commodities may not

be available. As indicated above, it seems unlikely that grain shipments from the United States can be raised to 150,000 tons per month, and there is even some doubt as to whether the present rate of allocation—130,000 tons per month—can be maintained.

Coal exports from the United States to France at the levels of the past few months will be continued with difficulty, unless car shortages in the United States are remedied quickly. This is particularly true of the byproduct coking coal used for steel production, lack of which has had a limiting effect on production of steel in the United States.

The petroleum products listed in the interim aid figures at \$60,000,000 value (\$45,000,000 in the November 10 program) compare with 6 months' imports of 1947 of \$66,000,000. The shortage of fuel oil and gasoline which is developing in the United States may mean that even these imports will be difficult to meet, but the figures are reasonable. On even a short-range basis both French and Italian purchases, at a premium, of Venezuelan oil in competition with the United States have an inflationary effect. Payment in dollars for such imports and for Middle-Eastern oil deserves careful scrutiny. (See Committee Report on Petroleum Availabilities and Requirements.)

In steel products, the French interim aid figures are not broken down sufficiently to enable any estimate of available shapes and types. The figure of \$10,000,000 for a 4-month period, if for finished steel, would mean something under 100,000 tons at an average price of \$100 a ton, although freight is included in the total figure. The steel picture in the United States is not so tight as to warrant the feeling that a 100,000-ton requirement of finished steel for 4 months will present too great difficulties.

This brief discussion of the extent to which the possible limitations of supply may affect the ability to meet the stated needs of France has an obvious bearing on the final dollar requirements that may be necessary during the interim period. Even if many or all of these potential supply deficits become actualities, there will remain a serious balance of payments problem requiring substantial dollar assistance, as this report has already indicated. To the extent to which supplies can be found to meet the needs, the dollar requirements will approach the amounts stated in the discussion, in Part VIII, "France's Interim Dollar Needs." In conclusion, therefore, it is clear that substantial dollar requirements must in any event be met if the present level of industrial production and a minimum bread ration are to be maintained. The maintenance of these minimum economic conditions is obviously vital for buttressing the democratic forces in France. Certainly, the "pipe-line" figure of \$72,000,000 and the additional \$32,000,000 for maintaining the flow of wheat supplies in April will not be needed as part of the interim aid program if a longer range aid program has been put into effect by March 1. It is clear that at least interim aid is required to finance the imports necessary for supporting the French economy during the coming months.

This is not the first time that France has been faced with and apparently come through situations that appeared at the time insurmountable. After the Franco-Prussian War, Germany imposed an indem-

nity, small by comparison with present-day figures but considered at the time so large as to have been unsusceptible of fulfillment within the time prescribed. Bismarck felt that the German army of 500,000 was in France to stay. The indemnity was levied on May 10, 1871. Every German exaction was met and the last German troops passed the French frontier on September 8, 1873, a period of less than 2½ years having elapsed.

During World War II, three-quarters of a million German troops were bivouaced in France during the period of June 22, 1940, to liberation in 1944. During both of these occupations, it may be fairly assumed that the German troops lived off France, and without question during both occupations Germany took more of the materials of all kinds on balance from France than Germany put in.

France's recuperative capacity has, therefore, been sternly tested in the past. Never before, perhaps, has the country been so cumulatively drained of resources. But France's economy, including the proper development of her colonies, has the inherent capacity for achieving as healthy a balance as any country in Europe.

Other factors in addition to those mentioned in this report are present in France today which show the latent possibilities of a French recovery more rapid than its present aspect might indicate. Some estimates^a of gold hoarded in France run from \$2,000,000,000 to \$3,400,000,000. Obviously, no accurate figures are possible. If one includes the probable French share in the Swiss-held total of \$800,000,000 worth of United States securities and at least \$500,000,000 of French privately held assets in the United States, which have not been declared, there is a substantial supply of funds privately owned which could be brought out to help in the restoration of French and European prosperity. The condition of bringing out of hiding such hoardings within and outside of France is the restoration of confidence in the value of the French franc and in the political future of that country. Although this may not be fully achieved in the near future, a very substantial part of these holdings may be available for aiding European recovery if the recovery of France proceeds at a reasonable rate in the next year. It is not safe, however, to gamble on this in the 6 months' interim aid period.

Among the questions deserving further study, is whether, under suitable protective arrangements, these private assets might not be used as security for Export-Import Bank loans on raw materials or as security for further borrowings from the international lending agencies.

^a Including the estimates of the Bank for International Settlements and other qualified sources.

APPENDIX

TABLE I.—*Estimates of current dollar deficit of French Union*¹

[Agreed to by Departments of State, Treasury, and Commerce, and Federal Reserve Board, as of Oct. 31, 1947]

October 1947–March 1948

(In millions of dollars)
c. i. f. except where otherwise specified

Expenditure for supplies:

Cereals from United States (f. a. s.) ² -----	\$75-\$120
Cereals from other sources (f. a. s.) ³ -----	45
Freight on cereals ⁴ -----	15
Coal from United States ⁵ -----	151
Coal from Ruhr ⁶ -----	14
Fats and oils ⁷ -----	40
Petroleum ⁸ -----	60

¹ Equipment items are excluded since it is contemplated that the French will, during the emergency period adjust their equipment imports to the funds already available for this purpose. Approximately 100 million dollars of funds from the Export-Import Bank and World Bank are available.

² *Cereals from United States.*—The smaller figure 75 million dollars represents 600,000 tons at an average price of \$125 per ton (f. a. s.). This amount is approximately equivalent to the allocation of the International Emergency Food Council for France, French North Africa, and the French colonies during the 6-month period ending December 1947. It is also approximately equivalent to the French requirements to maintain the current 200-gram ration, provided that rather optimistic expectations with respect to domestic collections are realized, and also provided that 240,000 tons of bread grains can be obtained from other sources.

The larger figure in the table applies the same assumptions in determining the quantity of grains needed to maintain a ration of 250 grams. Both maximum and minimum estimates are subject to correction if the average price of the total allocation of wheat and flour exceeds \$125 per ton.

³ *Cereals from other sources.*—Cereals from other sources are estimated at 45 million dollars, covering 240,000 tons, at an average price of \$187 per ton. Experience to date suggests that Argentina may not in fact supply this amount, leaving eastern Europe as the only alternative source, unless United States allocations are increased.

⁴ *Freight on cereals.*—Freight on cereals is a rough estimate in view of the small size of this item; a range was not included to correspond to the range in cereal requirements.

⁵ *Coal from the United States.*—Coal from the United States was calculated by taking the anticipated rate of United States shipments, at \$21 per ton, approximately half of which was taken to represent freight. The 7.2 million tons from the United States represents about 56 percent of United States export availabilities.

⁶ *Coal from Ruhr.*—It is estimated that Ruhr coal allocations to France during the next 6 months will be at the rate of 150,000 tons per month. The present price of German coal is \$15 per ton. The French did not make any actual payments for Ruhr coal until a few months ago due to the fact that they had not been billed by OMGUS. However, the economic adviser to General Clay, now in Washington, confirms the fact that the French are now being billed by OMGUS and are paying dollars for German coal.

⁷ *Fats and oils.*—The 40 million dollar estimate for fats and oils was taken from the import program of the French Government for the second semester of 1947. During the first half of 1947 imports of fats and oils from the dollar area amounted to 38.3 million dollars.

⁸ *Petroleum and petroleum products.*—French petroleum and petroleum product import requirements of 60 million dollars from the dollar area are based on the latest French import program, which is somewhat lower than actual imports during the first 6 months of 1947. The following table shows in detail the break-down of French imports of petroleum products during the first half of 1947:

Estimated French imports from dollar area (January–June 1947)

	Quantity (000 metric tons)	Price per ton f. o. b.	Freight per ton	Value f. o. b. million dollars	Cost of freight million dollars	Value c. i. f. million dollars
Crude oil-----	1,400	\$12	\$8	\$16.8	\$11.2	\$27.0
Fuel oil-----	260	16	8	4.2	2.0	6.2
Gas oil-----	188	18	8	3.4	1.5	4.9
Lubricants-----	63	70	8	4.4	.5	4.9
Gasoline (including aviation gas)-----	405	30	8	12.0	3.2	15.2
United States exports to French overseas areas-----				6.6	1.4	8.0
Total-----				\$47.4	\$19.8	\$66.2

TABLE I.—*Estimates of current dollar deficit of French Union—Continued*

		(In millions of dollars) c. i. f. except where otherwise specified
Expenditure for supplies—Continued		
Textile raw materials and hides ⁹	-----	\$52
Other raw materials: ¹⁰		
Iron and steel (f. o. b.)	-----	\$27
Other minerals and metals (f. o. b.)	-----	20
Chemicals (f. o. b.)	-----	19
Miscellaneous and freight on above	-----	22
		88
Imports for overseas areas (excluding cereals, coal, petroleum supplies) ¹¹	-----	45
Total	-----	\$585-\$630
Noncommercial expenditures:		
Payment to Belgium ¹²	-----	\$30
Payment to Brazil ¹³	-----	10
Support of French Zone in Germany ¹⁴	-----	45
Interest and amortization on foreign debt ¹⁵	-----	26
Other expenses	-----	10
Transfer of blocked United States accounts in France	-----	15
Additional contribution to international monetary fund	-----	10
Total	-----	\$146
Total expenditures	-----	\$731-\$776
Receipts (from exports, services, etc.) ¹⁶	-----	\$60
Deficit on current account	-----	\$671-\$716

⁹ Continued.

The following table shows the average monthly consumption during the first half of 1947 and stocks on hand as of Sept. 1, 1947, of the principal petroleum products:

French consumption of principal petroleum products January-June 1947 and stocks on hand September 1

[000 metric tons]

	Average monthly consumption	Monthly imports from dollar zone	Estimated stocks on hand September 1, 1947	Stocks on hand in consump- tion months
Crude oil	550	235	1,100	2
Fuel oil	225	43	400	2
Gas oil	120	31	220	2

⁹ *Textile raw materials and hides.*—The estimate of 52 million dollars for textile raw materials and hides for the 6-month period covers mainly cotton imports and is based on the latest French import program. This compares with 150 million dollars presented by Premier Ramadier to Mr. Clayton as requirements for the period September 1947 through June 30, 1948. During the first 6 months of 1947 French imports of raw cotton from the United States totaled approximately 45 million dollars (f. o. b.). Since cotton purchasing is seasonal, occurring mainly during the winter and spring months, the estimate of 52 million dollars for all textile raw materials and leather represents a cut from the level during the first 6 months of 1947.

¹⁰ *Other raw materials.*—The figures for other raw materials (iron and steel, 27 million dollars; other minerals and metals, 20 million dollars; chemicals, 19 million dollars; miscellaneous items and freight, 22 million dollars) are based on the latest French import program. The figures assume fourth quarter 1947 imports of these raw materials at a total of 36 million dollars and first quarter 1948 imports at 52 million dollars. The drying up of the pipe line due to the cut-off of purchases of these items during September and October is not to be compensated. However, the figures assume resumption of normal imports of raw materials for the remaining months. Hence, at the end of the period inventories will have been cut down to the extent of 2 months' consumption from the level prevailing in August 1947.

¹¹ *Imports of overseas areas.*—Imports of overseas areas were estimated by the French at 90 million dollars including cereals, coal and petroleum products. The figure of 45 million dollars in table I excludes these three items and corresponds approximately to United States exports to the French overseas areas during the first 6 months of 1947, exclusive of these items. Cereal, coal and petroleum product requirements of French overseas areas are included in table I with those of metropolitan France.

¹² *Payment to Belgium.*—The latest French estimate for the payment which will be due to Belgium during the 6-month period under consideration is 80 million dollars. Since

TABLE II.—*New funds required*(In millions of dollars)
o. i. f. except where otherwise
specified

Deficit on current account-----	\$671-\$716
Available resources:	
Stabilization Fund as of October 1 ¹ -----	\$50
Drawings on International Monetary Fund ² -----	30
International bank ³ -----	21
Liquidation of French dollar securities ⁴ -----	80
United States Army payments ⁵ -----	50
Transfer from Export-Import Bank ⁶ -----	93
German gold ⁷ -----	104
Total resources-----	428
New funds required-----	243- 288
Additional funds required in March to maintain April shipments ⁸ -----	72
Total new funds required-----	\$315-\$360

In addition, approximately \$230,000,000 will be required for shipments and noncommercial expenditures in May and June.

(The Export-Import Bank is not taking a position on the foregoing estimates of the requirements and the resulting deficit of France.)

commercial accounts are approximately in balance between the 2 countries, the payment represents the wages and remittances of Belgians working in France, many of whom commute between the 2 countries. It is understood that the agreement with Belgium is now being renegotiated. Since, moreover, the French should be able to cover payments due on account of Belgian workers by a favorable trade balance, the French estimate has been cut to 30 million dollars. As of the beginning of the period, France owed 15 million dollars to Belgium on past account.

¹³ *Payment to Brazil.*—This item represents gold due to Brazil under the terms of the French trade and payments agreement with Brazil.

¹⁴ *Support of French zone in Germany.*—The total of 45 million dollars included herein is approximately \$7.14 per capita, as compared with a corresponding figure of \$9.58 per capita for the bizonal area. Approximately 12½ million dollars corresponds to the current allocation of cereals from the United States at current prices, and another 15-18 million dollars is due to the United States-United Kingdom zones for net purchases from that area, according to United States authorities in Berlin.

¹⁵ *Interest and amortization on dollar debt.*—Interest and amortization payments due from France to the United States are as follows:*

Payments due Jan. 1, 1948:		(In millions of dollars)
First Export-Import loan (\$550,000,000):		
Principal-----		\$9.2
Interest-----		6.3
Total-----		\$15.5
Second Export-Import loan (\$650,000,000):		
No principal payment-----		-----
Interest-----		7.5
Total dollar payments to Export-Import-----		\$23.0
Interest and commission on World Bank Loan-----		3.1
Grand total-----		\$26.1

¹⁶ *Receipts from exports, services, and noncommercial receipts.*—These receipts are estimates of the French Government and check with other available data. In the first half of 1947 United States and Canadian import statistics show imports from France and French overseas areas of less than 10 million dollars a month. Other dollar earnings are believed to be negligible.

*The latest French figures exclude any interest payment on the Canadian loan.

¹ *French Stabilization Fund.*—In addition to their gold and foreign exchange reserves of \$440,000,000, the French had \$50,000,000 available for current use in the Stabilization Fund as of October 1. The estimate of French dollar requirements assumed the use of all of the Stabilization Fund. Use of the \$440,000,000 of the gold reserve would require legislative authorization from the French Assembly and would entail serious economic and political consequences, since this reserve is considered to have been already drawn down too low.

² *Remaining drawing rights on the International Monetary Fund.*—During the period May-September of this year, the French drew \$100,000,000 from the International Monetary Fund. Additional drawing rights as of October 1 amounted to \$30,000,000.

³ *Balance of International Bank Loan.*—As of October 1, \$21,000,000 of the \$250,000,000 loan which the French have received from the International Bank was available for supplies and freight.

⁴ *Liquidation of dollar securities.*—The French have called in all dollar securities declared by their nationals, estimated at \$80,000,000, which they estimate can be liquidated during

TABLE III.¹—*France—Dollar requirements and available resources, Oct. 1, 1947, to Mar. 31, 1948*

[In millions of dollars c. i. f.]

Expenditures for supplies:	
Cereals from United States.....	\$135
Cereals from other sources.....	41
Milk, condensed.....	5
Fats and oils.....	47
Coal from United States.....	176
Coal from Germany.....	14
Petroleum products.....	70
Cotton.....	58
Fertilizers.....	9
Other raw materials.....	95
Imports of food supplies for French Zone, Germany.....	28
Imports for French overseas areas (excluding cereals, coal, petroleum supplies).....	52
Subtotal.....	730
Other expenditures:	
Payments to Belgium for Belgians under commercial agreement.....	30
Payment to Brazil under commercial agreement.....	10
Interest on foreign debt.....	26
Administration and other expenses.....	10
Additional contribution to International Monetary Fund.....	10
Subtotal.....	86
Total expenditures.....	816

TABLE IV.¹—*France—Dollar resources available, Oct. 1, 1947, to Mar. 31, 1948*

[In millions of dollars]

Resources available:	
Earnings from exports of goods and services.....	\$60
Stabilization Fund balance as of October 1, 1947.....	50
Possible drawings on International Monetary Fund.....	30
Balance of International Bank loan available for purchases of supplies.....	21
Estimated liquidation of French dollar securities.....	80
United States Army payment.....	50
Export-Import Bank credit available for purchases of supplies.....	93
Restitution of gold from Germany.....	104
Total resources.....	488

the 6-month period. The French Government has already requisitioned all private dollar balances known to it.

⁵ *United States purchase of francs.*—The United States Army recently purchased \$50,000,000 of francs from the French under authorization of the President. This purchase was in anticipation of payments due for United States Army procurement in France and French Africa estimated by the French at from \$80,000,000 to \$137,000,000.

⁶ *Shift of Export-Import Bank credit to current purchases.*—As of October 1, approximately \$180,000,000 remain of the \$650,000,000 loan extended by the Export-Import Bank on May 28, 1946, earmarked exclusively for equipment. The Export-Import Bank has agreed that the French might use \$93,000,000 of these funds for current purchases of coal, cotton, P. O. L. other raw materials, and freight.

⁷ *Gold restitution.*—The preliminary distribution of the gold pot yielded the French \$105,000,000 as their share, which they recently received. Use of this gold requires legislative authorization from the French Assembly just as in the case of the \$440,000,000 of monetary reserves.

⁸ The Department of State in its presentation of table I has distributed the \$72,000,000 March "pipe-line" figures in table II as follows:

[Millions of dollars]

Coal from United States.....	\$25
Fats and oils.....	7
Petroleum.....	10
Textile raw materials and hides.....	6
Other raw materials.....	17
Overseas.....	7
Total.....	\$72

¹ Source: Interim European Aid, presented by Secretary of State Marshall, November 10, 1947.

GRAIN REQUIREMENTS AND
AVAILABILITIES
(CEREALS EXCEPT RICE)

PRELIMINARY REPORT THREE
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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80TH CONGRESS } <i>1st Session</i>	HOUSE OF REPRESENTATIVES }	REPORT No. 1147
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GRAIN REQUIREMENTS AND AVAILABILITIES
(CEREALS EXCEPT RICE)

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT THREE

GRAIN REQUIREMENTS AND AVAILABILITIES (CEREALS EXCEPT RICE)

INTRODUCTION

Grain harvests in the United States and Canada for the crop year 1947-48 are now largely completed and the gross supply of grain for domestic use and export is fixed until the next harvest in 1948. The crops in the other two principal exporting countries, Argentina and Australia, will not be mature until the end of the year. Nevertheless, the production in these countries can be estimated with some degree of accuracy and a basis afforded for approximating the probable export situation.

It should be observed that in estimating the amount of grain actually available for export at any given time it is necessary to appraise a number of factors which are constantly changing and which are not capable of being determined with any degree of finality until late in the crop year. These factors include such matters as new crop prospects and outlook, amount of grain used as feed, the effectiveness of conservation programs, etc.

In view of variable factors such as those referred to above, it is very difficult and very dangerous at this time, lest false hopes arise, to estimate the maximum export availability for the entire crop year 1947-48. Various estimates of United States cereal export availabilities have been used, some of which are probably too high in view of the present very poor crop prospects in the hard winter wheat area. These estimates have ranged from 470 to 570 million bushels of all grains. Which of these goals, if either, will ultimately be met will depend primarily on developments in the months ahead.

Hence timing and rate of export are of critical importance, not only in relation to indigenous collection efforts and realistic rate of consumption in the importing countries, but also as regards the ability of the exporting countries to retain flexible contingency reserves to meet unexpected crises.

SUMMARY

1. Total world food production is slightly below that of 1946 and sharply below prewar, whereas world population has increased by about 10 percent (table I). Against such a frame of reference, cereals available for export assume increased significance.

2. Grain supplies available for export of perhaps 29 million tons total less than three-fifths of the stated import requirements of 50 million tons. After screening of these stated requirements in the light of available supplies, the FAO estimates that there is an unfilled gap of 10 million tons. Thus it appears doubtful if actual famine levels can be avoided in some areas, and in others the probable calorie level will not be conducive to economic rehabilitation of political stability.

TABLE I.—*World food production 1947-48 compared to prewar and to 1946-47*

	1947-48 as a percent of prewar	1947-48 as a percent of 1946-47
Wheat and rye.....	96	102
Rice.....	93	101
Coarse grains.....	97	93
Fats and oils.....	88	103
Sugar.....	92	103
Meat.....	93	99
Dairy products.....	87	99
Potatoes.....	83	99
Total.....	93	99
Population.....	108	101

Source: Report of the Secretary-General to the Fifth Meeting of the Council; International Emergency Food Council, October 1947.

3. The food supply-requirements picture is more complicated than in the preceding year, not only because of the generally short supply but also because the deficit areas, which normally figure as importers, harvested poorer crops and the major supplier, the United States, had a partial corn crop failure (approximately 825 million bushels less than in 1946) and appears to be entering a period of less abundant crops. The much smaller prospective winter wheat crop of 1948, as well as the much reduced 1947 corn crop, limits United States export availabilities.

4. Grain export movement from the United States during 1947-48 to date is at a rate which, if continued, would move approximately 670 million bushels during the year. This is 100 million above the highest goal which has been mentioned and in view of (3) above, may be 200 million bushels above a feasible goal. Thus it appears that the probable spring food-crisis period in western Europe will coincide in time with lower United States grain availability and a much slower rate of export.

5. The several possible remedial measures, all of a partial sort, for the dangerous prospective food shortage fall into two general categories:

(a) The collection, conservation, and adequate distribution, here and abroad, of foods, especially the grains. In general, this means a decreased use of grain for livestock feeding and an increased emphasis on direct human consumption of available foods.

(b) Maximizing production, here and abroad, of the types of food most useful for direct human consumption.

As regards possible remedial measures, some eight items set forth in the addendum appear to be worthy of further consideration.

I. WORLD AVAILABILITIES

Estimated export availabilities from three sources are shown in tables II, III, and IV. Table II contrasts the estimates made by the IEFC at two different times. The Department of Agriculture estimate is nearly 1 million tons lower than that of IEFC. It should be noted that coarse grains to an amount of perhaps 200 million bushels

TABLE II.—*Estimated export availabilities for year July 1947–June 30, 1948*

[In 000 long tons]

	All grains total		Wheat and rye		Coarse grains ¹	
	July estimate	October estimate	July estimate	October estimate	July estimate	October estimate
Argentina.....	5,500	5,500	2,000	2,000	3,500	3,500
Australia.....	1,650	1,950	1,600	1,900	50	50
Canada.....	8,000	5,650	7,500	5,650	500	-----
United States.....	² 14,500	13,500	13,000	12,000	1,500	1,500
Others ³	2,350	2,400	1,400	1,450	950	950
Total.....	32,000	29,000	25,500	23,000	6,500	6,000

¹ Includes maize, barley, oats, grain sorghums, millets and products.² Maximum export figure-range indicated to be 12–14.5 million tons.³ Includes Soviet Union, Turkey, Middle East, etc.

Source: Reports of the International Emergency Food Council.

(In presenting this material, the IEFEC calls attention to the fact that supplies estimated as available from some sources may not in fact be shipped, or may not be shipped to those countries where needs are most urgent.)

should be available in addition to the wheat estimated in table IV. In any case, available supplies are only some 28 million to 30 million tons compared to some 39 to 50 million tons requirements.

There is no complete information available with respect to the extent or manner in which the grain export availabilities from the major exporting countries have been committed to specific importing countries. This information gap is partly because negotiations are still proceeding and because there is no authoritative collating agency. Nevertheless on the basis of the best information available it is possible to arrive at the following general summary of the probable situation respecting commitments:

(1) The export surplus of Canada and Australia, amounting to approximately 7.5 million tons is committed, or will be committed very largely to the United Kingdom or countries within the United Kingdom sphere.

(2) The Argentine surplus will go largely to Latin America, and to the Latin countries of Europe, plus considerable corn to India.

TABLE III.—*Estimated grain export availabilities 1947–48 season and exports 1946–47*

[000 long tons]

Source	Bread grains		Coarse grains		Total	
	1947–48	1946–47	1947–48	1946–47	1947–48	1946–47
United States ¹	11,000	10,780	1,500	4,192	12,500	14,972
Canada.....	5,650	6,171	-----	561	5,650	6,732
Argentina.....	2,000	1,662	3,500	2,558	5,500	4,220
Australia.....	1,900	1,315	50	51	1,950	1,366
Other ²	1,450	585	950	517	2,400	1,102
Total.....	22,000	20,513	6,000	7,879	28,000	28,392

¹ Based on present program. Any increase will depend on success of conservation efforts, prospects for 1948 wheat crop, and related domestic supply factors.² Includes allowances for Russia, Danube Basin, Middle East, and miscellaneous areas.

Source: U. S. Department of Agriculture Oct. 10, 1947.

TABLE IV.—*Production and exports of chief wheat surplus areas*

[In millions of bushels]

Country	Prewar (average 1935-39) ¹		1946-47 ²		1947-48 prospects		
	Production	Exports	Production	Exports	Production	Exports	Exports (in millions of tons)
U. S. A.	759	39	1,156	390	⁴ 1,407	⁵ 450	(12.2)
Canada.....	312	173	421	260	⁶ 352	⁷ 200	(5.4)
Australia.....	170	107	115	40	⁸ 215	⁹ 140	(3.8)
Argentina.....	222	122	³ 206	90	¹⁰ 170	¹¹ 75	(2.0)
U. S. S. R.	1,320	22	-----	-----	¹³ 1,600	¹² 50	(1.3)
Total (excluding U.S.S.R.).....	1,463	441	1,898	780	2,144	865	(23.4)
Total (including U.S.S.R.).....	2,783	463	-----	-----	5,744	915	(24.7)

¹ From FAO Commodity Series, No. 1, *Wheat*. For 1935-39 average see p. 21; for the U.S.S.R. data see page 34.

² *Ibid.*, table 17 (1946).

³ *Foreign Crops and Markets*, U. S. D. A., July 14, 1947, p. 442.

⁴ *U. S. D. A. Crop Report*, Oct. 10, 1947.

⁵ This is a compromise between what would seem to be required by the 470,000,000 bushels of all grains for export (Cabinet Food Committee) and 570,000,000 bushels of all grains (Harriman Committee). It agrees with Broomhall's expectations.

⁶ *Canadian Government Crop Report*, *Chicago Journal of Commerce*, Sept. 13, 1947, p. 7.

⁷ Estimated by Broomhall *Chicago Journal of Commerce*, Oct. 7, 1947, p. 7), corresponds rather closely to estimate by I. E. F. C.

⁸ Official estimate by Dr. Roland Wilson, Commonwealth statistician, A.P., Sydney, Oct. 17, 1947, published in *New York Times*, Oct. 18, 1947, p. 5 and *Wall Street Journal*, Oct. 18, 1947, p. 3.

⁹ Estimate by Broomhall, *Chicago Journal of Commerce*, Oct. 22, 1947, p. 12.

¹⁰ Broomhall in early October estimated 30 million bushels less than last year "unless rains come soon". Rains have come but further damage has been reported.

¹¹ Estimate by Broomhall, *Chicago Journal of Commerce*, Oct. 22, 1947, p. 12.

¹² *Ibid.*

¹³ This figure rests upon the very uncertain base of the only published figure to appear to date on this year's wheat crop, i. e., 44 million tons, *New York Times*, Oct. 17, 1947, p. 5.

(3) Approximately half of the possible 2-million ton grain exports from the U. S. S. R. appears to be committed mostly to eastern or central European countries within the Soviet sphere. It is possible that a considerable part of the other 1 million tons may come to western and southern Europe at some opportune time later in the year. Both France and the United Kingdom have attempted to negotiate for deliveries of at least 1 million tons each during this crop year. At present writing it appears that France may obtain 300,000 tons and the United Kingdom none.

(4) The inflexibility of availabilities created by these existing and probable commitments puts the burden of the large needs of deficit western Europe, including western Germany, as well as probable calls for crisis aid from elsewhere, almost wholly upon the United States.

II. WORLD REQUIREMENTS

Estimates of world requirements for imports of bread grains have ranged as high as 44 million tons, in addition to some 6 million tons of feed grains (Paris Cereals Conference, July 1947). This is some 12 million tons in excess of stated 1946-47 import requirements and more than 21 million tons in excess of shipments last year. Though such indicated requirements are clearly unrealistic in terms of available supplies, they are not so unreasonable when considered within the framework of the general food situation shown in table I. There is no

evidence that requirements have actually decreased since that time; in fact, the late summer drought in western Europe has tightened the deficit situation there.

Apparently no new estimate of world requirements has been made, for the July estimate is mentioned in the October IEFC report.¹

Table V (below) indicates the stated bread grain import requirements for interim aid of France, Italy, western Germany, and Austria.

III. UNITED STATES EXPORTS

Total quantities shipped or programmed July through December 1947 (including amounts carried over from June allocation) are 305,-500,000 bushels.

The quantity of grain exported during any prior period is not to be taken as a criterion of the amount which may be shipped in the Jan-

TABLE V.—*Grain crops, collections, and stated import requirements of grain for food*
(In thousands of metric or long tons)

	Import average 1934-38	Re-quire-ments 1946-47 CEEC	Re-quire-ments 1946-47 IEFC	Ship-ments 1946-47 IEFC	Re-quire-ments 1947-48 CEEC	Re-quire-ments 1947-48 IEFC ¹	Indigenous pro-duction 1947-48 (all grains)		Stated collec-tions 1947-48
							Stated	U. S. De-partment of Agri-culture estimate	
France.....	849	1,325	1,444	² 1,288	2,230	2,583	8,300	9,578	2,150
Italy.....	680	1,468	1,731	1,834	3,243	3,446	8,097	8,734	2,069
Western Germany..	2,208	3,151	3,908	3,321	5,094	5,788	6,570	6,950	1,749
Austria.....	321	468	467	450	657	705	1,197	1,018	338

¹ Includes increase for stocks but does not include the coarse grains for food.

² Includes some for French North Africa.

Source: Derived from CEEC and IEFC reports.

uary to July 1948 period. For instance in 1946-47 we exported at a low rate in the early part of the year, expecting in November that we would be called on for only 267 million bushels of wheat. Then, beginning in late January to meet increased demands exports were greatly increased. For 1947-48, we have put the pressure on the early part of the crop year, and the present danger is we may overexport, in view of the deteriorated prospect for the 1948 winter wheat crop and the partial corn crop failure. In other words, exports up to last year's 563 million bushels of all grains might be feasible, even from the much smaller total grain crop of 1947, but only if 1948 prospects are promising—not a true prospect at present. Crop availabilities and prospects, rather than past (first half 1947) export rates would appear to set the future supply ceiling.² (See table VI for some comparisons of United States production and exports.)

¹ The FAO on November 1, 1947, estimated that about 39 million tons are needed in 1947-48 to prevent a decrease in bread and cereal rations and that only 29 million tons are available.

² As of November 10, 1947, Secretary Marshall estimated United States wheat export availabilities for 1947-48 at 520 million bushels which is at least 20 million in excess of the highest figure previously mentioned and 120 million higher than the Department of Agriculture estimate used in table III.

It is understood that actual shipments have more than kept pace with the larger allocations of months before November. Thus if we assume that at least all allocations through October have been shipped, some 224 million bushels or more have actually been shipped as of the end of October. This is at a rate of nearly 56 million bushels per month or an annual rate of 671,000,000 bushels, some 100,000,000 bushels above the highest goal which has been discussed and 200,000,000 bushels above the level which the Department of Agriculture has considered feasible.

A lower tonnage of shipments has been widely accepted as probable. Dr. Fitzgerald, secretary-general of the IEFCE has been credited with the following estimate: 12 million metric tons or 448 million bushels, probable wheat export from United States in 1947-48; 1.5 million metric tons or 60 million bushels, probable coarse grain export from United States in 1947-48. Of the 13.5 million tons total, 7.7 million

TABLE VI.—*United States grain crops and exports*

(In millions of bushels)

	Wheat		Approximate part of total crop exported	Other major grains (corn, oats, barley, rye)		Approximate part of total crop exported
	Crop	Exports		Crop	Exports	
1946.....	1, 156	393	0.34	5, 069	170	0.034
1947.....	1, 407	{ 400 500	.28 (?) .35 (?)	4, 000	70 (?)	.018 (?)

would be shipped by December 31, 1947, and 5.8 million during the second half of the year.

Two factors at least led to the intention of slackening of shipments during the second half. First, it was deliberately planned to move the grain early in the year so as to avoid if possible coming into the spring crisis period with low stocks in the deficit areas. Second, the 1948 winter wheat crop prospect is such as to make a slowing down of shipments the sensible domestic policy. Hence availabilities and prospective availabilities are the major limiting factors. Probably European countries have been relying too much on prospective imports, partly because of the large flow of grain from the United States up to November. There appears to have been too little attention to achieving maximum collections of their own short grain crops, to the minimizing of hoarding and animal feeding. Their official rations, however, can hardly go lower without serious effects on health and dangerous political repercussions.

IV. REQUIREMENTS BY COUNTRIES

Here again, a comparison with last year's requirements would not seem to be of critical significance. Table VII indicates that requirements, as indicated by stated requirements, are well above those of the preceding year, largely, it is to be presumed, because of smaller indigenous crops. The breakdown for 1947-48 of stated requirements (table VII) is such as to indicate coarse grains as well as bread grains required for food. Information is available, but is not shown, as to

TABLE VII.—*Total requirements and import requirements of food grains*

[Thousands of metric tons]

	1934-38 average		CEEC 1946-47		CEEC 1947-48		IEFC 1947-48
	Total requirements	Imports	Total requirements	Imports	Total requirements	Imports	Stated total food grain import requirements including coarse grains
Austria.....	1,276	321	940	468	1,121	657	705
Belgium.....	2,159	1,285	1,145	658	1,225	1,000	1,183
Denmark.....	1,088	443	600	16	523	348	361
France.....	9,700	849	8,437	1,325	6,013	2,230	2,583
Greece.....	1,244	433	1,108	1,322	1,422	887	851
Iceland.....	11	11			12	12	(2)
Ireland.....	541	407	685	327	680	345	455
Italy.....	8,069	680	7,699	1,468	7,972	3,243	3,446
Luxembourg.....	54	11	48	12	44	28	(1)
Norway.....	422	355	375	290	450	387	400
Netherlands.....	1,632	755	1,524	709	1,591	1,046	1,316
Portugal.....	1,617	33	706	146	725	280	1,480
Sweden.....	1,105		983	13	918	443	477
Switzerland.....	678	479	682	450	644	449	657
United Kingdom.....	7,462	5,711	6,732	4,694	7,395	5,513	6,261
Turkey.....	3,984	Exports 96	4,021	Exports 69	3,745	Exports 85	(2)
Western Germany.....	7,883	2,208	6,576	3,151	8,756	5,094	5,789
Total.....	47,925	13,981	42,261	14,049	43,236	21,962	24,928

¹ Belgium and Luxembourg shown together.² Not available.

Source: Derived from CEEC and IEFC estimates

what part of the amounts requested was to replenish the very low stocks held as a working margin and contingency reserve. It is estimated that approximately 18 million tons of food grain imports into the participating countries and Western Germany will be required in 1947-48 to maintain the present ration level.

Any expectation of meeting these 1947-48 requirements reduces itself, primarily, to a matter of in some way or another making more of the 1947 crops available for controlled use; it is a long time until 1948 crops, however much success there may be in expanding them.

The primary solution in the United States and in Europe is, and will continue to be, to use less grain for meat and livestock products and make more grain available for direct human consumption. In Europe, this means effective, realistic collections and more liquidation of livestock than is likely to be politically feasible.

In the United States it means, apparently, at least so far, an appeal to the population in general to eat less bread and meat; to the farmers, to market livestock at lighter weights and with less grain finish; and to industrialists using grain, to conserve or close.

More realistically, what would be needed is a changed price relation between livestock and grain which would encourage the producers to market both items instead of speculating by feeding high-cost grain to livestock which may decline in price. Of course, there is little to be said, either, against a reduction in human consumption and waste of bread here, but the amounts to be gained for export thereby are only a fraction of those which it would be possible to save.

As an example of the differential saving in grain by feeding to lighter weights, the following data from an Ohio Experiment Station study are pertinent: In growing and fattening a hog the first 100 pounds of weight requires 304 pounds of feed, second 100 pounds of weight requires 359 pounds of feed, third 100 pounds of weight requires 415 pounds of feed, fourth 100 pounds of weight requires 470 pounds of feed, fifth 100 pounds of weight requires 510 pounds of feed.

Of course, improved 1948 winter wheat prospects and any effective action program as to Argentine exports would help significantly.

Another possible significant remedial step relates to the fish supply. The CEEC report indicates that some of the participating countries expect to have an exportable surplus of fish in 1947-48 and later years well in excess of the prewar level, in fact some 500,000 to 850,000 tons in excess of the indicated import requirements of other participating countries. The question has arisen repeatedly as to whether fish may not be used to substitute for other foods in short supply, either in the surplus fish areas or among nearby participators, especially western Germany. The only answers heard to date are of a financial and technical (refrigeration and transport) nature, neither of which would appear to be insuperable.

Moreover, in a food-scarce world there remains the vital question of whether the Germans should not have more and larger boats with which to fish for themselves.

Finally it appears that not only in the fishing countries of western Europe but also in the United States there is a supply-demand-price

relationship leading to curtailment of catch rather than expansion of fishing effort. In part this may be a matter of providing adequate storage and processing facilities, but price and psychological factors also may need remedial attention.

V. PROSPECTIVE AVAILABILITIES

It would appear that availabilities as prospective from the United States, at least before the 1948 harvest, are not sufficient to result in an increased ration, even in those countries where it is much needed as basic to reconstruction. In fact it may very well be questioned whether much of Europe is not eating too well this fall, and collecting too little of their indigenous crops, especially in view of the fact that increased shipments from the United States during the early part of 1947-48 will lessen available supplies to meet any famine scare prior to 1948 harvests.

VI. FOOD PROSPECTS AND INFLATION

Any increased food export program beyond 1947, unless underpinned by unexpected abundant production and conservation of supplies, would undoubtedly be a significant factor in further rises in the cost of living. Fertilizer shortages abroad would seem to limit possibilities of even normal prewar yields in western Europe for some time to come.

ADDENDUM: SOME PROBLEMS RELATING TO FOOD AND AGRICULTURE SUGGESTED FOR FURTHER CONSIDERATION

A very serious shortage of wheat in 1948 is no longer a mere possibility—it has now become a probability. The unfavorable delay in planting winter wheat and the unfavorable germination and growth of that planted, because of drought, create this probability; and there still remains a real danger that wheat already seeded may blow away in some areas before snows come. The probable shortage can only be averted by a combination of immediate abnormally heavy rains, propitious snows during the winter and light winterkill, plus favorable spring rains. It is not safe to count on this combination of fortuitous circumstances after a long series of very favorable years, even if we count on escaping the drought cycle.

If we should be confronted with a winter wheat crop of not more than 500,000,000 or 600,000,000 bushels (half that of 1947), as seems at least within the realm of possibility, the entire foreign aid program would be jeopardized more than by any other single factor, and there would be critical domestic consequences and inflationary effects of a magnitude difficult to measure.

It may become a possible high point of public policy to explore every avenue of immediate agricultural readaptation, to see whether it is possible to expand production for direct human consumption (with special emphasis on spring wheat, potatoes, and corn) in areas outside the drought regions in time to make up the probable deficiency in the 1948 winter wheat crop added to this year's poor corn crop.

Problems submitted for preliminary consideration are:

1. Can arrangements be made with the Argentines for increased supplies of linseed at reasonable prices, so that a large part of the flax areas of the Northwest can be planted to spring wheat in 1948?

2. What are the possibilities of developing a national program of substituting grain sorghums, barley, and other cereals for winter wheat where the latter has failed to germinate?

3. What are the possibilities of greatly expanding wheat and corn plantings in the East and South, possibly at the expense of pasture and other less essential crops?

4. What mechanisms can be created to operate on the situation between now and the time when planting must take place?

(a) Setting up once again the grain corporation which was created during the first World War to procure all grains and centralize their control? *Query:* Could this be handled by the CCC?

(b) Income tax certificate adjustments (to carry over 1947 sales to 1948 taxes)?

(c) The creation of a food development corporation or authority with the object of increasing yields abroad, as well as at home, through the maximum utilization of technical advice and making available the necessary resources?

5. Can the catch of fish be expanded to furnish high protein food to make up cereal deficiencies? This would apply also to fisheries abroad. The problem is not only that of increasing production but of solving distribution difficulties, furnishing adequate fishing fleets to Germany and elsewhere, price adjustments, refrigeration and canning, utilization of manpower, etc.

6. What improvement could be made in fertilizer supply? The investment of coal in the production of nitrogen fertilizer in Germany would yield a disproportionate increase in the production of cereals and other foods in a year when this is obviously necessary. Tank car (pressure type) shortages are limiting nitrogen production in available United States ordnance plants.

7. Some 250,000,000 bushels of cereals are utilized in the United States annually in industrial production, only a part of which results in food. Substitutes for grain as a raw material base are available, at least in some significant part. In view of the disastrous shortage of cereals, what action, voluntary or compulsory, is necessary and feasible to reduce such nonfood uses of cereals?

8. Can sugar be used effectively in somewhat larger amounts, perhaps for sweetening bread? Sugar appears to be in somewhat easier world supply than cereals and provides approximately equivalent calories at about the same cost.

FERTILIZER REQUIREMENTS AND AVAILABILITIES

(Western Europe, With Special Attention to France,
Italy, Western Germany, and Austria)

PRELIMINARY REPORT FOUR OF THE HOUSE SELECT COMMITTEE ON FOREIGN AID

PURSUANT TO

H. Res. 296

A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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(II)

80TH CONGRESS <i>1st Session</i>	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 1148
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FERTILIZER REQUIREMENTS AND AVAILABILITIES
(Western Europe, with special attention to France, Italy, western
Germany, and Austria)

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT FOUR

FERTILIZER REQUIREMENTS AND AVAILABILITIES

(Western Europe, With Special Attention to France, Italy, Western Germany, and Austria)

SUMMARY

Of the three major fertilizers, nitrogen, phosphate, and potash, only nitrogen continues in such world short supply as to require allocation by the International Emergency Food Council. Allocation of the other two fertilizers ended June 30, 1947. There are, however, problems remaining which relate to all three and it appears that the general soil fertility of western Europe is not and will not soon be at its prewar level. Hence the CEEC assumption that crop yields as late as 1950-51 will be below prewar may prove to be realistic.

1. A significant attack on the food shortage problem of western Europe for the harvest of 1948 and later years can be made by providing more fertilizers, especially nitrogen. Though expected results would vary with the soil, the crop and the weather, the use of 1 pound of nitrogen results in the production of as much as 15 additional pounds of grain. The western European net deficit of nitrogen fertilizer (in terms of pure N) for 1947-48 appears to be as much as 270,000 tons; this translated into grain equivalent might amount to some 3 to 4 million tons—a sizeable fraction of the total deficit. Of course the deficit is not concentrated only on cereals in the simple manner of this calculation.

2. One partial solution of the nitrogen fertilizer deficit in western Europe is to use fully the capacity of that area. Recent estimates of the unused but potentially usable annual capacity are in wide disagreement, ranging from 380,000 tons of N, to as low as 60,000 tons. Coal, both in quantity and quality has been and probably still is a bottleneck, as is the capacity to turn ammonia into fixed fertilizer. The question of whether significant capacity which might otherwise be devoted to fertilizer production is being devoted to the production of methanol, or wood alcohol, for export from European countries would appear to be worthy of further examination. Some repair and reconstruction of damaged or inadequately integrated plant capacity is indicated.

3. Another partial solution would be for the United States to use less such fertilizer and allow more to be used in Europe to produce the food there rather than here. The United States is a net importer of nitrogen fertilizer, and use here is nearly twice that of the prewar period. Production for export may perhaps be somewhat increased in the Army Ordnance plants if shortages of pressure-type tank cars

can be remedied and integrated fixing and graining facilities are provided. (See sec. V, below.)

4. It appears that phosphate fertilizers are not being used at their reasonable maximum, especially in western Germany. Increased imports of Swedish iron ore, which produce a phosphorus-rich basic slag, plus providing dollars in order to increase imports of available superphosphates from Belgium would appear to be feasible solutions. Dollars spent for superphosphate would save many more dollars spent to export United States grain—not to mention the real danger that United States grain may not be available next year in amounts adequate to meet export needs.

5. The potash fertilizer situation requires only that attention be devoted to obtaining as much as possible from that part of Germany held by the U. S. S. R. and that western European mines be sufficiently repaired to keep them producing on something like the present level.

I. NITROGEN

A. WORLD REQUIREMENTS

Stated total requirements for nitrogen fertilizer in the participating countries and western Germany for 1947-48 are shown in table I. Also shown are the considerably lower recommended allocations of the IEFEC. These western European requirements of about 1.5 million tons should be compared with stated world requirements of approximately 3.5 million tons. The latest computed gross import requirements of western Europe are 440,000 tons for 1947-48, of which some 270,000 tons apparently are a net deficit.¹

As may be noted from table I, most of these countries are using nitrogen fertilizer far beyond their prewar rate of consumption. This does not suggest the absence of real screening, though it appears to suggest the desirability of checking allocations closely against use and results, measured in increased production and especially *increased food collections*.

It is presumed that any nitrogen fertilizer to be very useful in increasing the 1948 crops must be provided soon, certainly within the next 6 months; hence the 1947-48 situation is treated as part of the Interim Aid program. Probable deficits under this program for interim aid countries may be summarized as follows:

[Thousands of metric tons]

	Require- ments CEEC	Allocation IEFC	Probable deficit
France.....	350.0	238.4	111.6
Italy.....	164.0	61.6	102.4
Germany.....	392.4	323.0	69.4
Austria.....	25.0	16.0	9.0
Total.....	931.4	639.0	292.4

Source: Recapitulated from table I.

¹ Corrected as of October 31, 1947.

TABLE I.—*Nitrogen fertilizer requirements and allocations—western Europe*

[In thousand metric tons of nitrogen]

	Prewar use 1934-38 average	Stated require- ments 1946-47 IEFC	Alloca- tion 1946-47 IEFC	Stated require- ments 1947-48 CEEC	Stated require- ments 1947-48 IEFC	Recom- mended allocation 1947-48 IEFC
Austria.....	7.0	14.2	11.6	25.0	25.0	16.0
Belgium.....	60.0	¹ 90.0	¹ 88.6	100.0	¹ 95.0	¹ 89.0
Denmark.....	37.9	50.0	41.1	47.0	48.5	42.8
France.....	240.0	² 263.9	² 202.0	³ 350.0	² 351.3	² 238.4
Greece.....	7.0	12.0	10.3	25.0	22.0	9.6
Iceland.....	1.8	2.1	1.6	3.0	2.3	1.2
Ireland.....	6.9	8.0	3.1	14.0	13.9	6.8
Italy.....	94.0	129.0	62.3	164.0	144.0	61.6
Luxemburg.....	3.2	⁽¹⁾	⁽¹⁾	3.3	⁽¹⁾	⁽¹⁾
Norway.....	12.0	23.0	21.1	22.0	23.0	19.5
Netherlands.....	73.0	110.0	92.8	130.0	125.0	94.6
Portugal.....	16.0	³ 17.5	³ 10.7	23.0	³ 20.3	³ 14.6
Sweden.....	36.0	43.3	38.9	55.0	47.0	37.2
Switzerland.....	1.9	13.2	11.6	12.0	12.0	12.0
United Kingdom.....	60.0	193.1	142.1	180.0	193.0	181.6
Turkey.....	1.0	1.4	.8	4.7	2.1	1.0
Western Germany.....	⁽⁴⁾	340.0	212.3	392.4	363.0	323.0
Total.....	657.7	1,310.7	950.9	1,550.4	1,487.4	1,148.9

¹ Belgium and Luxemburg shown together.² France and overseas territories.³ Portugal and Colonies.⁴ Estimates not available.⁵ Corrected as of October 31, 1947.

Source: Arranged from reports by the IEFC and CEEC.

B. WORLD AVAILABILITIES

The prospective world supply of nitrogenous fertilizers in 1947-48 is approximately the same as 10 years earlier—2,576,000 tons of nitrogen as compared to 2,548,000 tons in 1937. However, stated requirements in 1947-48 are 3.5 million tons or some 900,000 in excess of probable available supplies. Moreover, the indicated production now has a significantly different distribution as compared to prewar. Production in the United States has been increased by a third of a million tons whereas that of Germany has declined by about that amount. Production in Japan has decreased by approximately 100,000 tons, and that much of an increase is indicated for United Kingdom. As might be expected, use has been largely increased in those areas in which production has been expanded, especially in the United States. Hence export supplies have actually declined. (See table II.)

The price of Chilean nitrates (natural) might be considerably raised by increased exports to Europe, unless safeguarding arrangements were concluded with the Chilean Nitrate Sales Corporation or the Chilean Government. The price now is some \$250 to \$275 per ton of N as compared to a little less than \$200 per ton of N in the synthetic form of ammonium nitrate.

C. THE UNITED STATES AS A POSSIBLE SOURCE OF SUPPLY

In general the United States is a net importer of nitrogen fertilizer. Though production in the United States has increased greatly over the 284,000 tons of 1937, it is still short of indicated requirements of United States farmers. The use has been so profitable during this

TABLE II.—*Changes in net exports of commercial nitrogen—1947-48 compared with prewar, by countries*

(In thousands of metric tons nitrogen)

Country.	Net exportable supply ¹		Change from 1937
	1947-48 ²	1937 ³	
Chile.....	278.4	259.0	+19.4
Canada.....	127.5	38.0	+89.5
Norway.....	70.9	70.0	+0.9
Belgium.....	69.0	34.0	+35.0
United Kingdom ⁴	48.1	59.0	-10.9
Switzerland.....	1.5	2.3	-0.8
Germany.....	0.0	134.0	-134.0
Hungary.....	0.0	5.7	-5.7
Netherlands.....	0.0	35.0	-35.0
Poland.....	0.0	13.0	-13.0
Yugoslavia.....	0.0	6.2	-6.2
Manchuria.....	0.0	31.0	-31.0
	595.4	687.2	-91.8

¹ Excludes ordnance production in the United States estimated at 230,000 tons and in the United Kingdom estimated at 12,800 tons for export to the occupied countries.

² Compiled from data reported to IEFC.

³ Source: U. S. Department of State, *The World Fertilizer Situation before World War II*, Intelligence Research Report OCL-3774, Sept. 30, 1946. NOTE: This source for one year's figures gives different figures than for three-year average. It is used here in order that the net exportable surplus may be comparable.

⁴ Throughout the war and until 1946-47 the net exportable supply from the United Kingdom was much larger, usually about 100,000 tons.

Source: Report of the Secretary-General to the Fifth Meeting of the Council IEFC, Washington, D. C. October 1947.

period of high-priced farm products that stated requirements in 1946-47 of 726,000 tons have been increased to 816,500 tons required for 1947-48, against an apparent consumption prewar of 454,000 tons including imports. The probable allocation to the United States for 1947-48 is 741,500 tons of which 170,000 tons would be imports.² At the same time some 53,000 tons export are probable in addition to possible ordnance plant production estimated at 230,000 tons (see Appendix B).

Recapitulation—United States nitrogen fertilizer ¹

(In thousands of metric tons of nitrogen)

	Prewar	1946-47	1947-48 (estimated)
Production.....	284.0	603.4	623.8
Imports.....	169.6	175.5	170.3
Exports.....		56.8	52.8
Consumption.....	453.6	722.1	741.5
Stated requirements.....		725.8	816.5

¹ Army Ordnance plant production not included.

Source: Derived from material in the Secretary-General's Report to Fifth Meeting of International Emergency Food Council, October 1947.

As was indicated above, the United States is a net importer, exporting very modest amounts except for the Army ordnance products shipped to occupied areas.

² United States demand may be somewhat affected by declining tobacco prices.

Though some additional production (perhaps another 25,000 to 50,000 tons) may come from these plants in the United States, the major unused world capacity is in western Europe, Japan, and perhaps north Korea.

To increase United States exports, it would appear that allocation or set-aside might be required in the United States. It should be noted that farmers in western Europe as well as those in the United States are using more than before the war. The question then becomes: Where do we get the most available food in return for the fertilizer which might be used either place? Who pays?

It would seem that the United States is so little involved in nitrogen fertilizer export at present that such export is not of major significance one way or another. The highest degree of additional squeezing of the United States for nitrogen exports to Europe which has been mentioned involves only 25,000 tons. Yet, put against grain equivalents capable of being increased abroad, this may still deserve study. United States capacity, excepting only some of the ordnance capacity, appears to have been rather fully utilized. The ordnance capacity can be increased, but at high cost. Transportation (pressure-type tank-car shortage) seems to be a limiting factor in the Army program. (See appendix B.) It has been mentioned that the low quality of some of the coke supplied to United States nitrogen plants has retarded full production. This low quality of coke is also a complaint in the production of steel; higher grades of coke would increase production of both key items.

D. EUROPEAN CAPACITY

The increases called for after 1947-48 in the CEEC report involve increased utilization of European capacity and rapidly decreasing imports—net exports of nearly 200,000 tons are called for in year 1950-51. This appears reasonable enough if there is now unutilized annual capacity of 400,000 to 500,000 tons—a figure earlier accepted but now questioned. And, of course, there is the coal problem to be solved. Nitrogen shortages are undoubtedly in part a function of coal shortages in Europe. This in turn means a shortage of European foods, particularly grains (15 tons for every ton of nitrogen used for grain) and an inflationary and painful drain on the United States. Further integration of production facilities also is indicated.

II. PHOSPHATES

The supply-demand situation in regard to phosphates was so nearly in balance that allocation was dropped at the end of 1946-47. This does not mean, of course, that local or regional shortages have ceased to exist, but, in general, western Europe—excepting Western Germany—is in comparatively good position regarding phosphates.

In the prewar 1934-38 period the average yearly use in the 16 participating countries amounted to 1,268,000 metric tons of P_2O_5 of which some 199,000 tons were net imports. In 1946-47 usage was higher, standing at 1,383,300 tons, of which only about 100,000 tons were net imports. In 1947-48 requirements are indicated as 1,737,200 tons, of which less than 60,000 tons will be net imports. The assumed require-

ments thereafter under the CEEC plan continue to rise to some 2,256,000 tons in 1950-51, but imports remain at approximately 50,000 tons.

The raw materials are apparently available in sufficient amount; no one has been willing to admit lack of raw material, or processing capacity, except in western Germany.³ Though much of the raw material will come from the steel mills as basic slag, or from North Africa as raw rock, there is some intimation of imports of 250,000 tons of raw rock from the United States during the present year.

The situation in western Germany is somewhat different. In this area the use of fertilizers is closely integrated with the key fertilizer, nitrogen. That is, potash and phosphate are not commonly used separately, but as a balanced, mixed fertilizer. Nitrogen, unfortunately, is still in world short supply and so long as the use of phosphates is geared tightly thereto, the use will be limited by nitrogen availabilities, not by phosphate availabilities.

Indicated Bizonia requirements for 1947-48 are 320,000 metric tons nitrogen. (An earlier figure was 295,000 tons but the goal in following years is 360,000 tons.) Indigenous production will not exceed 200,000 tons to which may be added 12,800 tons ordnance production by the United Kingdom; 46,857 tons from the United States and 20,500 from Austria, a possible total of 280,157 tons. (See appendix A for some details.)

The French zone appears to be nearly in balance, requirement estimates for 1947-48 ranging from 45,000 (IEFC) to 68,400 tons (CEEC), against which the IEFC has allocated all the indigenous production estimated from 40,000 to 54,000 tons.

At present the historical record is used to support a ratio of 1 part of nitrogen to 1.1 parts of P_2O_5 . Some German scientists have argued for a ratio of 1 part N to 1.5 parts of P_2O_5 , based apparently not on historical or experimental maximum joint utility but rather on the depletion of the past several years due to lack of indigenous supplies. Such information as is here available indicates that the matter is extremely complex, depending on type of soil, crop grown, type of phosphatic fertilizer used past and present, and other factors.

For what it may be worth, recent usage in the United Kingdom and other European countries is compared with that in western Germany:

	Nitrogen fertilizer in thousands of metric tons of nitrogen	Phosphatic fertilizer in thousands of metric tons of P_2O_5
United Kingdom.....	165	355.0
France.....	206	340.0
Netherlands.....	106	114.0
Western Germany.....	190	125.3

Source: Arranged from CEEC data.

A comparison of the ratios above suggests that there may be greater need for phosphates than the authorities in Germany admit.

³ Western Germany, supported by funds from the United States, has to pay dollars for phosphate rock from French North Africa. Any other arrangement would for the moment increase France's dollar shortage. But German coal and steel and other exports naturally could more than balance such import needs. Superphosphates from Belgium are available only against dollars.

Finally, it should be noted that military government officials from western Germany indicate that soluble phosphates are available from Belgium in whatever reasonable amounts may be desired or used, if only dollars are available to pay for them. Another aspect is that increased imports of Swedish iron ore to Germany would result in a basic slag of higher phosphorus content—a major source in the prewar period.

III. POTASH

Potash too has been removed from allocation and the minor deficits are considered to be less serious than either nitrogen or phosphates.

The sixteen participating countries used, on an average for 1934–38, some 652,000 metric tons of potash of which 179,000 tons were net imports (from what is now Soviet-occupied Germany). In 1946–47 usage amounted to 779,000 tons; imports, to 206,000 tons.

Requirements for 1947–48 are indicated at 1,147,500 tons and net imports at 438,800 tons in the CEEC report. Usage and imports would continue to increase during the remainder of the plan period.

The major problem appears to be the question of how much K_2O will be delivered from the Soviet held part of Germany and at what price. So far, little has been forthcoming for western Germany or Europe.

APPENDIX A

FERTILIZERS—REQUIREMENTS, PRODUCTION AND IMPORT NEEDS OF THE OCCUPIED AREAS—FISCAL YEAR 1948¹

A. NITROGENOUS FERTILIZERS

1. Minimum requirements and expected availabilities of supply of nitrogenous fertilizers are (in metric tons of contained nitrogen) :

	Germany	Japan and Ryukyus	Korea
Requirements.....	320,000	393,345	102,100
Indigenous production.....	200,000	210,000	-----
Import requirement.....	120,000	173,345	102,100
Expected supplies:			
United States ordnance.....	46,857	109,941	73,202
United Kingdom ordnance.....	12,800	-----	-----
Austria.....	20,500	-----	-----
Total imports.....	80,157	109,941	73,202
Deficit.....	39,843	63,404	28,898

2. Minimum requirements for each type of fertilizer were obtained in the theaters by determining most efficient rates of application by research and experiment and considering normal climatic conditions, types of soil, and methods of farming traditionally used. These rates were then compared with normal prewar usage, and, where necessary, scaled down to the prewar figure. This was done for all the general types of crops. The total requirement was then derived by applying the proper rate, based on regional requirements and crops, against the area to be cultivated.

3. Indigenous production estimates are based on operable plant capacities, availability of transportation, and available supplies of raw materials and power, with fertilizer production being given a very high priority.

4. The United States ordnance plants, now being operated by the Army to supply a nitrogenous fertilizer in the form of ammonium nitrate are expected to produce 230,000 metric tons of contained nitrogen during this fiscal year. The

¹ Prepared by the Department of National Defense.

landed cost of this ammonium nitrate (32.5 percent nitrogen) in the occupied areas will amount to about \$69,046,000.

5. The nitrogen fertilizer being obtained from Austria for the bizonal area can be considered as United States Army production as the plant at Linz, Austria, processes Army coal producing an ammonium nitrate type fertilizer (20.5 percent nitrogen) at a total cost, including coal, of about \$5,363,200.

6. United Kingdom ordnance is also supplying the bizonal area with 12,800 metric tons of nitrogen in the form of ammonium nitrate at a cost to the United Kingdom of about \$3,904,000.

B. PHOSPHATIC FERTILIZERS

1. Minimum requirements and expected availabilities of supply of phosphatic fertilizers are, in metric tons of contained P_2O_5 :

	Germany	Japan and Ryukyus	Korea
Requirements.....	350,000	255,750	52,000
Indigenous production.....	149,500	126,200	nil
Import requirements.....	200,500	129,550	52,000
Expected supplies:			
United Kingdom procurement.....	70,000		
Japan production.....			26,045
United States procurement.....		3,730	
Total imports.....	70,000	3,730	26,045
Deficit.....	130,500	125,820	25,955

2. Indigenous production and import figures shown here are in terms of superphosphate (16.5 percent P_2O_5). There is negligible production of the basic phosphate rock in the occupied areas. All phosphate rock must be imported.

3. The United Kingdom has procured and is shipping 500,000 metric tons of phosphate rock from North Africa to the bizonal area at a total cost of about \$7,730,000. This is enough rock to allow the present processing industry in the bizonal area to operate at full capacity.

4. The United Kingdom is also procuring 70,000 metric tons of P_2O_5 from European sources in the form of superphosphate at a total cost of about \$16,800,000.

5. The United States Army has procured and is shipping enough phosphate rock from United States sources to Japan to provide enough P_2O_5 to meet the requirements of Japan, the Ryukyus, and Korea. Approximate landed cost of this rock is \$16,000,000.

6. As there are negligible facilities in the Ryukyus and Korea for producing superphosphate, all the rock is being shipped to Japan for processing. There is sufficient plant capacity in Japan to meet the superphosphate requirements but shortages of transportation and coal prevent reaching a production figure higher than that shown above.

7. A small quantity of superphosphate, 3,730 tons of contained P_2O_5 , has been procured in the United States and has been shipped to the Far East. Landed cost of this amount was about \$1,650,000.

C. POTASSIC FERTILIZERS

1. Minimum requirements and expected availabilities of supply of potassic fertilizers are, in metric tons of K_2O :

	Germany	Japan and Ryukyus	Korea
Requirements.....	574,000	123,200	20,040
Indigenous production.....	450,000	nil	nil
Import requirements.....	124,000	123,200	20,040
Expected supplies, United States procurement.....		123,000	20,000
Total imports.....		123,000	20,000
Deficit.....	124,000	200	40

2. The Bizonal area has sufficient raw potassic salts and processing capacity to provide enough K20 to meet their full requirement. Difficulties are being encountered because of a lack of mining machinery and transportation facilities.

3. The Far Eastern countries have no indigenous supply of K20. The United States Army is procuring potassium sulfate and potassium chloride from European sources for the Far East. It is expected that the above quantities can be obtained at a landed cost of about \$21,037,500.

APPENDIX B

U. S. ARMY ORDNANCE NITRATE FERTILIZER PROGRAM¹

1. Prewar Germany and Japan, and to a lesser degree the other occupied areas, utilized tremendous quantities of commercial fertilizers and as a result produced very high yields per unit of area on relatively poor soils. The world food shortages, war destruction of fertilizer plants, shortage of coal, and the critical lack of food in the occupied areas made it essential for the Department of the Army to provide fertilizer imports for these areas in order to restore food production to the highest possible level.

2. At the end of the war the need for fertilizers, particularly nitrogen, was acute world wide. Nitrogen, as well as potash and phosphatic fertilizers, was under international allocation and there was a natural reluctance to allocate nitrogen to the ex-enemy areas when the needs of the Allied countries were not being met. The Department of the Army, therefore, undertook a program of converting ordnance plants to the production of ammonium nitrate fertilizer to supply at least partially the needs of the occupied areas and to minimize the need for food imports. Nitrogen exports to the occupied areas from the United States have, therefore, been made from production which probably would not otherwise have existed.

3. Initially it was planned to operate a total of 15 ordnance plants in an integrated program with an estimated output of 85,000 short tons fertilizer grade ammonium nitrate per month. However, a sufficient supply of pressure-type tank cars for the movement of anhydrous ammonia was not available and the program was therefore reduced to include the following 12 plants:²

(a) Anhydrous ammonia plants.—(1) Morgantown Ordnance Works, Morgantown, West Va.; (2) Ohio River Ordnance Works, West Henderson, Ky.; (3) Cactus Ordnance Works, Dumas, Tex.

(b) Solution plants.—(1) Radford Ordnance Works, Radford, Va.; (2) Indiana Ordnance Works, Charlestown, Ind.; (3) Joliet Arsenal, Joliet, Ill.; (4) Sunflower Ordnance Works, Lawrence, Kans.

(c) *Graining plants*: (1) Ravenna Arsenal, Apco, Ohio; (2) Illinois Ordnance Plant, Carbondale, Ill.; (3) Iowa Ordnance Plants, Burlington, Iowa; (4) Cornhusker Ordnance Plant, Grand Island, Nebr.; (5) Nebraska Ordnance Plant, Fremont, Nebr.

4. From the inception of the program to September 30, 1947, a total of 551,615 short tons of ammonium nitrate (approximately 32.5 percent pure nitrogen content) has been produced. At the present time production is at the rate of about 65,000 short tons of ammonium nitrate per month. Following is a breakdown of production to date:

	Short tons Ammonium Nitrate
Total November 1946 to June 30, 1947-----	352, 208
July -----	69, 037
August -----	67, 154
September -----	63, 217
Forecast of production Oct. 1, 1947, to June 30, 1948-----	585, 000
Total July 1, 1947 to June 30, 1948-----	784, 408
Estimated cumulative production to June 30, 1948-----	1, 136, 616

¹ Prepared by the Department of National Defense.

² STAFF NOTE.—Another instance of transportation (car shortage of special type) limiting much needed production.

47.8 percent of the Fiscal Year 1948 production is scheduled for shipment to Japan and the Ryukyus, 31.8 percent to Korea, and 20.4 percent to Germany.

5. The production and movement of ammonia is the key to the entire program. At the present time production of the three ammonia plants amounts to 29,000 to 30,000 short tons per month. This production could be increased from 200 to 300 tons per month if an adequate supply of good quality coke was available for the Ohio River plant. Considerable difficulty is being experienced in obtaining coke for this plant and that available at present is of very low quality and as a result production is below capacity. Supply of pressure tank cars remains a problem and trades with industry to avoid cross-hauls are being continued.

6. In addition to the United States ordnance program the Department of the Army has recently completed arrangements to obtain 100,000 tons of nitrogen fertilizer (20,500 tons of contained nitrogen; this fertilizer will consist of 60 percent ammonium nitrate and 40 percent ground limestone) from Linz, Austria, for use in the Bizonal area, Germany. The Army is providing 135,000 tons of coal to get production under way.



PETROLEUM REQUIREMENTS AND AVAILABILITIES

PRELIMINARY REPORT FIVE
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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(II)

80TH CONGRESS } <i>1st Session</i>	HOUSE OF REPRESENTATIVES }	REPORT No. 1149
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PETROLEUM REQUIREMENTS AND AVAILABILITIES

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid, submitted the following

PRELIMINARY REPORT FIVE

PETROLEUM REQUIREMENTS AND AVAILABILITIES

SUMMARY

1. Petroleum requirements, as estimated by the Committee of European Cooperation (CEEC), average over \$600,000,000 a year for the 4-year period 1948 through 1951. Expressed in volume terms, requirements for 1951 will amount to about 78,000,000 metric tons, or roughly twice the actual 1946 imports. Since United States demand is presently straining facilities for the production of petroleum and petroleum products, and since world production is expected to increase by only about 30 percent by 1951, there is little prospect of meeting CEEC requirement estimates.

2. Present departments of State and Treasury estimates of French and Italian dollar requirements for petroleum products for the period October 1, 1947, through March 31, 1948, are somewhat lower than estimates based on maintaining the first half 1947 import rate from dollar areas. On this basis, the State-Treasury requirement figures seem reasonable. There is still, however, no certainty that they can be met; shortages in the United States and difficulties of transportation will affect particularly our exports of gasoline and fuel oil.

3. Petroleum has an essential bearing on European recovery; its use is almost as good an index of the level of industrial activity as steel consumption. In 1946, European consumption was 12 percent below that of 1938, whereas the United States increased its consumption 70 percent over the same period.

4. The domestic position in the United States shows a decreasing stock figure in gasoline east of the Rocky Mountains and decreases also in gas oil, distillates, and residual fuel oil. There appears to be no substantial excess capacity at the present rate of yield, though lowering the octane content of gasoline would provide substantial increases in refinery yield of both distillates and gasoline.

5. Transportation problems are responsible for a considerable part of the difficulty of supplying the United States east coast area. Shortages of both tankers and tank cars may seriously affect United States consumption of fuel oil in this area, unless remedies are speedily found.

6. Shortages of petroleum equipment and of steel for new refineries and pipe lines strictly limit the rate of development. It is estimated that, on present prospects, the amount of crude available for refining by 1951 will be only about 2,000,000 barrels a day more than in 1946, and world transportation and refining capacity may hardly keep pace. Unless European, and particularly German, steel and petroleum equipment capacity is brought into early and all-out use, there is danger of a persisting world shortage that may make impossible the realization of any such program as is anticipated by the Committee of European Economic Cooperation. The limitation on petroleum available to Europe may be one of the most difficult factors limiting European recovery.

I. WORLD AVAILABILITIES COMPARED WITH EUROPEAN REQUIREMENTS

The Committee of European Economic Cooperation estimates the value of crude oil and petroleum products required from dollar sources by the participating countries (including dependent overseas territories) and western Germany as follows:

1948-----	\$576, 739, 000	1950-----	\$641, 116, 000
1949-----	623, 403, 000	1951-----	619, 589, 000

These figures must be regarded as tentative because there are known errors in the requirements figures and CEEC was pressed for time. Further information has been requested from the participating countries on requirements, and United States Government agencies are working on the problem of availabilities. No reliable figures for the dollar value of oil import needs of the 16 western European countries of the Paris Conference can be produced until these studies have been completed.

While it would be possible, assuming certain arbitrary factors, to revise the CEEC figures to conform more closely with the realities of petroleum supply, refinery capacity, and transportation (especially tanker) availability, such statistical manipulation would be a purely mechanical procedure that would leave intact virtually all of the internal inconsistencies of the CEEC estimate.

Even a casual survey of the world oil situation reveals that there will not be a striking increase during 1948 and 1949 in the quantities of crude oil and finished products available for consumption.

World production of petroleum between 1946 and 1951 will probably increase by about 30 percent. World production of crude oil in 1946 was 7,500,000 barrels per day and natural gasoline 400,000, making the petroleum total 7,900,000 barrels per day; the 1951 petroleum production would be of the order of 10,000,000 plus barrels per day. The completion of the construction of certain facilities for the transportation and processing of petroleum during the next 2 years should result in an increase in availability from the Middle East. This production, of which Europe will claim the major part, will probably increase from 700,000 to about 1,500,000 barrels daily, that is, an increase of about 800,000 barrels daily or 38,900,000 metric tons annually, a condition determined not by productive capacity but by the anticipated increase in pipe-line capacity of all projects now known to be planned for the Middle East.

Consumption of petroleum and petroleum products in western Europe in 1946 amounted to about 308,000,000 barrels, of which about 20 percent was from European production; 20 percent from the United States; and 60 percent from the Caribbean and the Middle East. The requirements of the Paris Conference countries (including dependent overseas territories) in 1951 are estimated by CEEC at about 78,000,000 tons, an increase of 41,000,000 tons, or, roughly, twice the imports of 1946. The level of European consumption in 1946 was 12 percent below that of 1938, whereas the United States level was 70 percent more in 1946 than in 1938.

Europe has always been the principal overseas destination of United States petroleum exports. In 1938, 6 percent of United States production was exported to Europe and in 1946, about 3 percent. United States petroleum imports, however, have steadily increased and now, in volume, are slightly higher than exports. Oil imports are principally crude and fuel oil, and most exports are higher-value products.

II. INTERIM AID PETROLEUM REQUIREMENTS

The possibility of European requirements being maintained during the period from now to the end of March 1948 at the rate of the first 6 months 1947 imports depends upon the ability of the United States to continue exports at this rate. In view of the tight supply of petroleum products in the United States, it is probable that the first half 1947 rate of supply to Italy and France would be the maximum which could be realized. The requirements for interim aid, as estimated by the Departments of State and Treasury, are at a slightly higher rate.

A. FRANCE

The following table details the French imports of petroleum and petroleum products for the first half of 1947:

TABLE I.—First 6 months 1947 imports of petroleum into France

[1,000 metric tons]	
Crude:	Fuel oil:
United States..... 198	United States..... 21
Venezuela and Colombia.... 943	Mexico..... 14
Arabia..... 50	Middle America..... 74
Iraq..... 664	Venezuela and Colombia.... 151
Iran..... 237	Other..... 36
Other..... 78	
Total..... 2,170	Total..... 296
	Kerosene:
Gasoline:	United States..... 1
United States..... 164	Middle America..... 10
Venezuela and Colombia.... 103	Venezuela and Colombia.... 6
Arabia..... 48	Iran..... 9
Other..... 65	
Total..... 380	Total..... 26
	Lubes:
Gas oil:	United States..... 61
United States..... 87	Other..... 3
Venezuela and Colombia.... 29	
Other..... 19	Total..... 64
Total..... 135	Other..... 3
	Paraffin ¹ 9
	Bitumen ¹ 72

¹ Virtually all United States.

Projecting the rate of French imports from dollar sources for a period of 5 months ending March 1948, results in the following estimate:

TABLE II.—*Estimated French imports from dollar area, Nov. 1, 1947, to Mar. 31, 1948*

	Quantity (1,000 metric tons)	Price (per ton)	Freight (per ton)	F. o. b. value (millions)	Freight (millions)	Value and freight (millions)
Crude oil.....	1,167	\$13.20	\$8.00	\$15.404	\$9.336	\$24.740
Fuel oil.....	217	17.60	8.00	3.819	1.736	5.555
Gas oil.....	113	19.80	8.00	2.237	.904	3.141
Lubricants.....	53	77.00	8.00	4.081	.424	4.505
Gasoline ¹	338	33.00	8.00	11.154	2.704	13.858
Paraffin.....	8	230.00	20.00	1.84	.16	2.000
Bitumen.....	60	13.00	19.00	.78	1.140	1.920
United States exports to French overseas areas.....				6.6	1.4	8.0
Total.....				45.915	17.801	63.719

¹ Including aviation gasoline.

Source: Prepared in collaboration with Department of State and Department of Interior. See Staff Report, "Problems of Interim Aid to France and Italy" for a statement of 6 months' French requirements of petroleum and products as \$60,000,000 as against \$66,000,000 for the first 6 months of 1947 (CIF).

B. ITALY

As the problem of fulfilling the Italian requirements would be closely similar to the French, the same approach has been taken. The following table, prepared from official Italian statistics, shows the petroleum imports of Italy for the first half of 1947:

TABLE III.—*First 6 months 1947 imports of petroleum products into Italy*
[1,000 metric tons]

Avgas:		Gas Diesel oil:	
United States.....	17	Venezuela and Netherlands	
Venezuela and Netherlands		West Indies.....	42
West Indies.....	6	United States.....	32
Total	23	Persian Gulf.....	24
		Haifa	3
		Total	101
Motor gasoline:			
Venezuela and Netherlands		Lubes:	
West Indies.....	40	United States.....	55
United States.....	30		
Palestine	20	Fuel oil:	
Persian Gulf.....	10	Persian Gulf.....	388
Total	100	Venezuela and Netherlands	
		West Indies.....	260
Kerosene:		Palestine	10
Venezuela and Netherlands		France	9
West Indies.....	14	Total	667
United States.....	10		
Persian Gulf.....	9	Crude oil:	
Rumania	1	Persian Gulf.....	630
Total	34	Venezuela and Netherlands	
		West Indies.....	60
		Total	690

¹ Imports plus slight upward revision (Department of State).

SOURCE: Official Italian statistics.

Since a detailed break-down of table III between dollar and non-dollar sources is not available, the projection in table IV below is simply a valuation in dollar terms (for computation purposes) of total Italian petroleum imports for the period November 1, 1947, to March 31, 1948. (The quantity of import needs is estimated at five-sixths of those for the first 6 months of 1947.) It is reported by the Department of State that dollar areas supply about 75 percent of Italian petroleum imports; using this percentage, the value of petroleum and products plus freight from dollar areas may be calculated at \$28,251,000 for the 5 months in question, or \$5,650,000 per month.

TABLE IV.—*Estimated cost of Italian imports,¹ Nov. 1, 1947 to Mar. 31, 1948*

	Quantity (1,000 metric tons)	Price (per ton)	Freight (per ton)	F. o. b. value (mil- lions)	Freight (mil- lions)	Value and freight (mil- lions)
Gasoline.....	102.0	\$33.00	\$8.00	\$3.366	\$0.816	\$4.182
Kerosene.....	28.2	27.00	8.00	.761	.197	.958
Gas oil.....	83.8	19.80	8.00	1.659	.670	2.329
Fuel oil.....	553.6	17.60	8.00	9.744	4.429	14.173
Crude oil.....	572.7	13.20	8.00	7.560	4.582	12.142
Lubricants.....	45.7	77.00	8.00	3.519	.366	3.885
Other products ²						
Exports to Italian overseas areas ²						
Total.....				26.609	11.060	37.669

¹ Prorated on $\frac{5}{6}$ imports of first 6 months.

² Not known.

These figures are, however, subject to further revision, because independent transactions that would affect dollar requirements are known to have been made. For example, it is reported that an Italian company has entered into a contract with the Government of Venezuela for 1 million barrels of royalty oil to be delivered over a period of 2 years at a bonus of 20½ cents per barrel over the base price. This will net the Venezuelan Government a quarter of a million dollars which it would not have received had the oil been sold to the producers, who were most likely in large measure United States companies.

Clarification of Italian oil requirements and dollar needs is not likely until completion of the conversations between the United States Government and the Committee of European Economic Cooperation. There is obviously a need for more careful screening than this procedure affords and for a control of competitive purchasing of petroleum and its products with United States dollars that inflate our own import costs.

Western Germany's petroleum needs for civilian use during the last 6 months of this year are being provided for, through Army purchases, as follows: 90,000 tons of crude oil from Venezuela, 210,000 tons of gasoline, 20,000 tons of kerosene, and 240,000 tons of gas and Diesel oil. The source and cost of the last three items are unknown. Higher consumption is anticipated in 1948.

III. THE DOMESTIC POSITION

To revert to the domestic supply situation in the United States, it should be noted that in the face of an increased demand (both civilian and military) stocks of gasoline east of the Rocky Mountains were as

of October 18 this year 4,500,000 barrels below the figure of 70,000,000 barrels of a year ago; kerosene stocks were 900,000 barrels larger than the 20,000,000 of a year ago; gas, oil, and distillates were 6,000,000 short of the 52,000,000 of last year; and residual fuel oil was 2,500,000 barrels short of the 31,000,000 barrels of last year.

The extent of the increase in demand in the United States is reflected in the monthly forecasts of demand made by the Bureau of Mines:

Demand for crude petroleum

	<i>Barrels daily</i>
May 1947-----	4, 871, 000
June 1947-----	4, 940, 000
July 1947-----	5, 020, 000
August 1947-----	5, 152, 000
September 1947-----	5, 220, 000

Throughout 1947 it has been nip and tuck whether the domestic industry could meet requirements; in fact, there have been spot shortages in all of these products. Of the principal products, only lubricating oil requirements have been met without strain. The September forecast of demand of the Bureau of Mines stated: "Even if exports should be reduced by lack of dollar credits abroad, the supply of products is not likely to exceed domestic requirements after allowing for normal seasonal changes in stocks of refined products * * *". The present forecast for 1948 includes an estimate of an increase in the total demand for all oils of about 5 percent compared with the current estimate for 1947. If exports are reduced substantially, the increase in domestic demand might amount to 6 percent. The total percentage for 1948 is based on the assumption that runs to stills cannot be increased more than 4 percent and no large increase in product imports will take place." Incidentally, each 1 percent over 1947 petroleum demand would equal about 58,000 barrels daily, and as domestic production is within a few thousand barrels a day of the maximum efficient rate of production, foreign sources would be drawn upon for virtually all increases.

Should the export demand for gasoline, gas oil, kerosene, and residual fuel oil during the next 6 months continue even at the rate of the first 6 months of this year, it is doubtful whether civilians could go through the period without a considerable reduction in the consumption of several of these products. This is partly due to the tightness in transportation and partly to the difficulties in securing changes in yields of products and in their quality. Considerable relief could be secured if the oil companies were permitted lawfully to cooperate with each other and, in turn, with the railway and tank car owners. More rapid turn-arounds of tank cars would make it possible to move both more crude oil and products. Deficiencies in required products could be handled by changing the yields of products in which situation limitations and in some cases slight degradations in quality would be helpful. If companies cannot face the problem on an industry-wide basis, it can hardly be expected that they individually will make all possible adjustments that might have an adverse effect upon their

competitive position, especially since, in refinery operations all products are not equally attractive from the profits point of view.¹

The short supply of tankers affects the domestic and foreign supply problem. The United States east coast supply problem is directly integrated with tanker availability for movements from the Gulf Coast and the Caribbean. Although the Government has made 96 tankers available for reconditioning they will not add to tanker capacity until early 1948 and will consequently produce but small increases in petroleum supply either in this country or abroad during the period ending in March. Most of these go into naval use or use for overseas transport.²

IV. PROBLEMS IN INCREASING PETROLEUM EQUIPMENT

The problem of foreign aid on petroleum equipment is still filled with question marks. CEEC conversations with Federal agencies have not progressed to the point where there is a common understanding: (1) of what is included in the term "equipment"; (2) of what refineries, etc., are included; and (3) to what extent American company construction has been included. Comment on dollar requirements would, therefore, be absurd at this moment. Certainly the whole program should be examined to determine whether it is in line with needs and crude availability. In addition it requires examination as a program, rather than in its present condition of lump-sum estimates of deficits.

As has been stated, world refinery capacity is at present working at a near-capacity rate. The amount of crude available for refining by 1951 should be about 2 million barrels more per day than in 1946. To make this petroleum available for consumption, world transportation and refining capacities must be raised to a level capable of handling this increase. Such capacity should be calculated to make the most efficient conversion to products.

Unless this program is developed on an over-all basis, United States dollars might be used to build foreign-owned operations to the detriment of American companies. Besides possible inequities in the form of credit, if materials were allocated for the 16-nation participating countries, there is the possibility that equipment would be supplied to foreign-owned but not to American-owned companies. In view of the fact that a number of the larger foreign oil companies operate in countries in which commercial loans might be possible, the extent to which foreign-aid dollars would supersede commercial dollars is a question of significance. Although there are no conclusive figures available as to the capacity of American industry to produce the materials needed for foreign aid, nevertheless, there is far from an easy supply. Consequently, there is danger that the foreign-aid demand superimposed upon the domestic may bid up the price.

¹ [Staff Director's Note:] An example of the effects of unrestrained competition in its present effects on shortages of gasoline and distillates is the so-called "octane race" that is forcing lower yields of both in order to supply more high octane motor fuel, in a highly advertised and competitive market.

² [Staff Director's Note:] The economics of importing oil for the Navy seems sound in dollar costs, even from the Middle East, and conserves domestic reserves. However, the use of tankers for the long haul when they are desperately short for the east coast oil needs may raise a serious question of policy.

The danger referred to in regard to equipment applies also to petroleum products, for, as has been indicated in the case of royalty oil purchases at a bonus by an Italian company from Venezuela, there is danger that the international competition for scarce products may materially increase the price of petroleum and its products through premium price offers. If foreign offers are reflected in the domestic market—a situation that would be difficult to control—then the United States consumer would have to pay more for what he gets, and at the same time suffer a reduction in the quantity available to him.

An effective rehabilitation plan would require curbs on Europe to prevent unreasonable increases in the consumption of petroleum. Even with the improved transportation planned for the Middle East, the requirements of Europe as scheduled in the CEEC requirements cannot be met by Eastern hemisphere supply, on foreseeable development plans.

Alternatively more production of petroleum equipment from Europe, particularly from Germany, for supplying Europe's own needs and increasing supply for the rest of the world would help speed up a healthy balance and relieve the drain on the United States. Failure to increase considerably availability of petroleum for Europe over the four-year period of the CEEC plans would seriously retard European recovery to a self-supporting basis.



UNITED STATES STEEL REQUIREMENTS AND AVAILABILITIES

As They Affect European Needs for Interim Aid

PRELIMINARY REPORT SIX
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
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80TH CONGRESS	{	HOUSE OF REPRESENTATIVES	{	REPORT
<i>1st Session</i>				No. 1150

UNITED STATES STEEL REQUIREMENTS AND AVAIL-
ABILITIES AS THEY AFFECT EUROPEAN NEEDS FOR
INTERIM AID

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT SIX

UNITED STATES STEEL REQUIREMENTS AND AVAILABILITIES

As They Affect European Needs for Interim Aid

SUMMARY

Unlike other commodities, steel, in any great quantity for export, is produced only in the United States and in Europe. Therefore world availability of steel to meet European deficits really means steel from the United States. Preliminary analysis of the United States supply-requirements picture in 1948 leads to several major conclusions. Most important are the following:

1. Steel as a whole will remain scarce throughout 1948, even if total exports are held to the annual rate of 6.6 million net tons of rolled and drawn steel products reached in the first half of 1947. Conservative estimates place domestic demand for the year at 59.4 million net tons. This figure from the Krug report seems already to reflect some tailoring to permit the assurance of exports at the rate of the first half of 1947. It is thought that even in very favorable circumstances total supply will not exceed 64.4 million net tons. Thus, the minimum deficit would run 1.6 million net tons. In all likelihood, the shortage would be somewhat larger.

2. Honoring the Committee of European Economic Cooperation (CEEC) participants' demands upon the United States in 1948 would aggravate the over-all shortage immensely. In rolled and drawn products, these nations are requesting at least 1.2 million net tons more than their annual rate of receipts from the United States during the first half of 1947. Moreover, they propose to raise their imports of *metallics*¹ by some 2.1 million net tons—1.7 million net tons in the form of steel scrap and pig iron as such and 400,000 net tons of potential steel scrap contained in the additional tonnage of rolled and drawn shapes. Meeting these claims in full would involve (a) reducing United States production of rolled and drawn products by some 2.2 million net tons and (b) cutting commercial exports or shipments to domestic consumers by 3.4 million net tons, i. e., by an amount sufficient to balance the reduction in output and still provide the additional amount of rolled and drawn products necessary to meet the CEEC countries' requirements. The net effect would be to raise the minimum deficit from 1.6 million net tons to 5.0 million net tons—a staggering deficit to impose on the consumers of steel in the United States and on commercial exports, if full European requests were to be met.

3. A tentative review of the CEEC steel production and distribution programs for 1948 suggests that the legitimate needs of the Paris

¹ "Metallics" are the ferrous raw materials for the production of steel ingots and iron and steel castings. This includes pig iron, iron and steel scrap, scale, cinder, slag, cinder, and the iron content of iron ore.

Conference countries could be met without the adverse effects sketched in (2) above. A thorough scrutiny of these programs is therefore in order. Such examination should concern itself especially with the following matters:

a. The immense steel tonnages it is planned to export from the CEEC area. In 1948, the 16 CEEC nations propose to ship to non-participating countries, excluding western Germany, 1.47 million net tons more than their exports to nonparticipating countries including western Germany in 1938. Moreover, deliveries to dependent overseas territories are scheduled to reach 990,000 net tons as against a total of 330,000 net tons in 1938—660,000 tons net increase. Thus, total exports to outside areas will exceed 1938 levels by 2.13 million net tons, or roughly two-thirds of the prospective adverse impact of CEEC nation demands as indicated in (2) above. The Paris Conference Steel Report does not provide any justification for the increased export rate.

b. The availability of metallics abroad. cursory review of the Paris Steel Report data raises real questions (1) whether the aggregate volume of metallics shown as available for steel-ingot production and foundry pig-iron needs is not more than sufficient to support the estimated furnace output; and (2) whether the estimated home-scrap supply figure is not too low in relation to the recirculating-scrap tonnage one would expect to arise from forecast home steel production plus a reasonable allowance for obsolescent scrap. To the extent that needs are overstated, or availabilities understated, of course, the need for scrap or pig iron imports from the United States would diminish.

c. The possibility of increasing Bizonal steel ingot production above the present target rate of 4.5 million net tons. Claims have been made that 1948 output could be raised to 6 or more million ingot tons through use of additional rich ore supplies which Sweden could readily provide. Careful investigation of this possibility is very important, since the addition would not involve resort to American metallics or heavy per ton drains upon coke supply. It would greatly help to meet European deficits.

d. The home steel consumption estimates given for several of the CEEC countries. In this connection, a review of the major steel expansion programs under way in the United Kingdom, France, and several other nations appears most appropriate. Such programs are large consumers of home-made steel as well as of scarce equipment to be supplied by the United States.

4. Potential United States supplies of sheets, strip, and tin plate promise to remain inadequate to meet domestic demand throughout 1948, despite the large addition to mill capacities which will be made during that year. Furthermore, difficulties may be experienced in supplying slabs in amounts sufficient to utilize the additional mill capacity. Both considerations render very important a close analysis of the Paris Conference requests, which call for United States delivery of 1,074,000 net tons of these shapes (more than three times the rate of shipments during the first half of 1947) and 550,000 tons of slabs and sheet bar in 1948. This applies especially to the CEEC nations' plan to export 176,000 net tons of sheets to nonparticipating countries. Added production of German ingot steel (*c* above), and some diversion of European semifinished steel from presently planned uses would

permit increased sheet production in idle or underutilized German sheet or strip mills. In this area lies one of the greatest shortages of United States capacity. It would seem advisable to suspend any plans to dismantle or otherwise render inoperable such units until it is known that they will be unable to relieve the pinch in sheets and strip.

5. The demand for large-diameter electric-welded and seamless pipe for domestic oil and gas transmission lines is currently in excess of American mill capacities and promises to continue so through 1951. In addition, there is a large export demand for such material, part of which will be necessary to enable middle eastern sources to provide Europe with critically-needed tonnage of petroleum products. It is essential therefore to insure fullest practicable utilization of European capacity to produce these shapes. This will involve forestalling any reduction in German capacity via dismantlement and providing adequate supplies of large tube rounds and wide plate for the pipe mills proper. The utmost effort should be made to divert European round mill and plate mill production from less essential uses into raw material for large diameter pipe.

More detailed figures on German steel capacity and the related problems of iron ore, coal, transport, and reparations deliveries of steel plants will appear in a later report on Germany and Austria.

At this writing, it is not possible to assess even roughly the United States steel supply-requirements picture or to determine how CEEC plan needs might affect this picture in the period 1947-51. Sufficient data are available, however, to permit tentative judgments in both respects for the year 1948. These are set forth in the following analysis, together with supporting argument.

In the development of the analysis, an effort has been made to evaluate both supply and demand factors not only in absolute terms but in relation to their status in the first half of 1947, since the domestic steel market is known to have been in serious imbalance throughout this period. The analysis deals only with ferrous metallics and steel shapes as such and does not enter into a discussion of any indirect impacts upon steel demand or supply which may result from heavy demand for fabricated products under the Paris plan.

I. SUPPLY

A. STEEL INGOT PRODUCTION AND CAPACITY

As of January 1, 1947, United States capacity to produce steel ingots (including a small tonnage of liquid metal for castings) totaled 91,200,000 net tons. The annual operating rate in first half 1947, however, was only 84,600,000 net tons. Thus, despite extraordinary effort to maximize output and a virtually complete absence of strikes in steel and in its supplying industries, production during this period fell more than 7 percent short of nominal capacity.

This disappointing record is attributable to several factors. Most important by a wide margin has been the acute shortage of steel scrap. So scarce has this material become that notwithstanding intensive efforts (including reduction of pig iron made available to bessemer converters) to raise the pig-scrap ratio in open-hearth fur-

naces and to maintain the flow of obsolescent material, inventories have been drawn down almost to the vanishing point. On June 30, 1947, stocks held by dealers, producers, and consumers totaled only 3,800,000 net tons—almost one-third less than the very low quantity held around VJ-day and some 50 percent below the September 30, 1939 level. The deterioration since this last date, of course, has been much greater than the percentage comparison suggests, since both ingot capacity and ingot production are now much higher. In addition, present scrap quality is markedly inferior to that available in prewar days or even in the closing months of the war. The result has been furnace shut-downs, longer heat time on fully charged units, and underutilization of some types of capacity, all issuing in production losses.

Scarcity of pig iron has been another serious hindrance to production—one which in a sense ranks with that in scrap, since the two materials are interchangeable within broad limits in the open-hearth steelmaking process. In first half 1947, pig-iron production was at the annual rate of 58,500,000 net tons, or only 90 percent of capacity, as against a rate of 93 percent plus in steelmaking departments. In all likelihood output would have been lower still if the Housing Expediter's premium-price plan for merchant pig had not been in operation. On an over-all basis, the "losses" were well in excess of the amounts necessary to insure full-capacity operations during the same period.

Recent and current difficulties at the blast furnace stage are traceable largely to inadequate fuel supplies. Reserves of coking coal have been (and will remain) ample to support output at capacity; but transport difficulties have impeded the flow of raw coal to coke ovens, much of the existing oven capacity is worn out or obsolete, and a decline in coal and coke quality has led both to a substantial rise in the coke rate and to a reduction in output per stack-day at many plants. Other factors limiting production were the need to rehabilitate furnaces and tightness in iron ore supplies. Ore shortages were rarely a cause of actual losses in the first 6 months of 1947, but they would have made it difficult to achieve significantly higher operating rates.

In addition to the foregoing factors, "inoperable" facilities and the pattern of demand for steel are often listed as major causes of below-capacity operations in first half 1947. By and large, however, it seems doubtful whether these forces have been quantitatively significant. Save in one case (electric furnaces) the tonnages involved were not large, and difficulties at the steelmaking stage arise in part at least from the basic shortage of metallics—pig iron in the case of bessemer converters and the proper grades of carbon steel scrap in the case of electric furnaces.

What course will steel ingot production follow in 1948? Is there good reason to expect any marked departure from the annual rate prevailing in first half 1947? If so, in what direction?

There is in some quarters a tendency to view 1948 prospects rather optimistically. These sources stress the fact that basic ore and coal reserves are more than adequate to support capacity blast furnace operations. Emphasis is laid upon the large additions to ironmaking and steelmaking capacities which are now foreseen during the next 12 months—some 3,500,000 net tons in the case of pig iron and 3,600,000

to 4,000,000 net tons in the case of steel ingots, according to the latest tally it has been possible to make. And it is thought that activation of several "inoperable" blast furnaces will increase pig iron output substantially.

At first sight, such considerations appear most impressive. Close analysis of the whole steel picture, however, brings to light compelling reasons to think that nonetheless a large net increase in steel ingot production will be difficult to achieve. At least five merit separate mention:

1. The outlook for significant near-term improvement in steel scrap is rather dim. Recirculating scrap, i. e., mill revert material plus the prompt industrial scrap which arises from fabricating operations and returns to steel furnaces within a few months, cannot provide much net relief since its volume bears a relatively constant relationship to ingot production. The margin must come from obsolescent scrap. And here prospects are bleak. Not only were the ordinary sources of such material tapped time after time in the war period, draining prewar pools, but the immense current demand for items which constitute these sources (automobiles and other durable consumers' goods, freight cars, farm equipment, public works, industrial plant and equipment) insures that for a good while sheer physical unusability rather than expansion in the output of new units will continue to determine the rate at which these items become scrap. That the huge rise in scrap prices since late 1946 has not brought forth much obsolescent material is itself strong evidence of acute physical scarcity. For 1948 at least, merely maintaining the current flow from normal sources may well prove very difficult.

This general picture does not change radically when one takes into account the major "abnormal" sources of supply, namely, imports and United States Government-owned surplus stocks of equipment, ships, and military material. With respect to imports, the Paris Conference Steel Report has dampened earlier expectations that continental Europe would be able to provide metallics for use in United States furnaces (see below). The Government surpluses, of course, hold more promise. Current scrap flows, however, already include a goodly tonnage from these reservoirs, primarily from ship-breaking; and the possibility that the additional amount which could be had in usable grades is not large, combined with difficulties in arranging for release of material, darkens prospects for substantial early improvement. Moreover, some increase might prove essential simply to offset a decline in availability from normal sources and thus to sustain the present over-all movement. In short, the weight of evidence is that any marked gain in steel output during 1948 must come from sources other than increased supplies of obsolescent scrap.

2. Shortages of iron ore may well preclude much higher blast furnace operations. Weather conditions, in conjunction with relaxation of legal weight limitations on late-season loadings, have made possible a heavy ore movement during the 1947 season. Shipments from Lake Superior mines, the major American ore source, promise to surpass all peacetime records and now seem likely to approach the level reached in 1944. But despite this fact, current expectations are that by May 1, 1948, the stocks at Lake ore docks and furnaces will not exceed 15,000,000 net tons—a total well below that in many previous (and

less active) peacetime years and barely equal to the very low inventory held on May 1, 1947. Evidently, therefore, to maintain furnace output at the 1947 rate during the 1948-49 furnace season Lake ore deliveries must at least match 1947 performance. Provision of another 5 percent (4,300,000 net tons) would be necessary in order to increase pig iron production by 2,500,000 net tons. In view of the very favorable conditions prevailing in 1947, it is doubtful whether additional supplies in this amount can be made available during 1948.

3. In all likelihood, many blast-furnace operations will continue to experience difficulties with fuel. It is true that producers expect to expand carbonizing capacity by over 3,000,000 net tons, all in modern byproduct ovens, before the end of 1948; that installation of coal-washing equipment to improve coal quality is under way at several plants; and that the blast-furnace renovation and expansion program, if kept on schedule, should lead to some reduction in the national average coke rate. But against these considerations must be set probable continuance of transport difficulties, larger export demands for high volatile coking coals and the possibility that diversion of metallurgical grades to domestic uses may occur. In addition, inventories are so low that even a relatively short work stoppage in the mines or in rail transport could affect production adversely. Thus, although coke may cease to be the prime bottleneck in iron smelting, there is not much prospect that 1948 supplies will prove adequate to permit (the equivalent of) full utilization of present blast-furnace capacity.

4. It is very questionable whether a substantial net gain will result from the steel ingot expansion program. In the first place, although full installation schedules for this program are not obtainable, trade-journal accounts indicate that a relatively small percentage of the total will be available throughout 1948 and that substantial amounts are not scheduled to enter production until the fourth quarter. Secondly, slippage from the planned schedules is almost certain to occur. Even now expectations are that at least one large project will not yield results before the spring of 1949. In the third place, a good part of the expansion is not well designed to cope with the prospective scrap shortage. Electric furnaces, for example, account for 350,000-400,000 net tons, or roughly 10 percent of the total. Another 10 percent is readily identifiable as located at cold melt open-hearth shops, requiring scrap and cold pig as a charge. And at least one major integrated plant expansion rests partly upon expectations of a sharp cut in scrap melt-down time. To convert all or even a large part of these additions into a net national rise in output without higher pig-scrap ratios elsewhere will require a large net increase in the flow of obsolescent scrap. Finally, to the extent that it depends upon additional pig-iron supplies the whole program confronts the difficulties with coke and ore which have been discussed above.

5. The bulk of any production increases from presently idle and "inoperable" blast furnaces will be put into foundry iron products. To the extent that these units utilize ores which are suitable for producing steelmaking grades of pig iron, therefore, the effect will be to aggravate, not to relieve, the metallics shortage in steel. (A counter-vailing consideration is that if the present premium price plan for merchant pig iron is allowed to expire December 31, 1947, most of these facilities are likely to remain idle, and in addition some fraction

of the pig iron tonnage now going to foundries might be channeled to ingot-producing furnaces.)

It is impossible to derive from these considerations a firm estimate of probable steel ingot production in 1948. Nonetheless, they provide some basis for judgment in this connection. Given relatively favorable conditions, the aggregate supply of pig iron and obsolescent scrap might prove sufficient to run 1,800,000–2,100,000 net tons above its first half 1947 level, permitting ingot production to increase by roughly 2,600,000–3,000,000 net tons.¹ On the other hand, any unfavorable turn or combination of turns—a brief Lake ore season, for example, or serious winter shortages of fuel oil and natural gas or maldistribution of ore stocks among furnaces—would reduce the possible gain. And even if none of these possibilities should materialize, work stoppages could easily prevent any increase. At the assumed operating rates, strikes which in aggregate cost only 10 days' production would reduce output by over 2,000,000 net ingot tons. On a realistic appraisal, therefore, it would appear that we shall be very fortunate to produce as much as 87,200,000–87,600,000 net tons of steel ingots in 1948.

B. ROLLED AND DRAWN STEEL PRODUCTS

According to the American Iron and Steel Institute, semifinished and finished steel product shipments during first half 1947 were at the annual rate of 62,400,000 net tons, or close to 74 percent of steel ingot production (including a small tonnage of liquid metal for castings). The indicated conversion loss, which seems rather low for the finished product "mix," reflects in part consumers' current willingness to accept off-grade material in order to meet urgent consumption needs.

During 1948, the supply of finished steel will depend primarily upon steel ingot production. But some change in the product "mix," leading to a slightly higher conversion loss, seems probable. Since VJ-day production of such above-average conversion loss items as cold-rolled sheets, cold-rolled strip, tinplate and seamless tubular products has been much lower in relation to demand than has total steel output. As additional sheet, strip and seamless tube capacity is brought into operation and pig tin supplies improve, the composition of output will shift in their favor. As a result, the average ingot yield may decline to 73.5 percent or less. On this basis and assuming ingot production to fall within the range set forth above, 1948 mill supply of rolled and drawn products may be set between 64,000,000 and 64,400,000 net tons.

This estimate is subject to one qualification. The Paris Conference Report on Steel calls upon the United States to deliver very large quantities of crude and semifinished steel to the CEEC participating countries in 1948 (see below). If these demands are met without corresponding reduction in semifinished steel shipments to other areas, the effect will be to reduce the average conversion loss and thus to raise rolled steel production—perhaps by 200,000–250,000 net tons. Other implications of the Paris Conference requests are dealt with below.

¹ These calculations assume that mill revert and prompt scrap together will amount to 37 percent of the additional ingot production and that 1.077 tons of pig iron, scrap, and scale are necessary to produce one ton of steel ingots.

C. LIGHT GAGE FLAT-ROLLED PRODUCTS AND TUBULAR PRODUCTS

Although ingot production constitutes the basic bottleneck in steel, lack of specific finishing and processing facilities have been responsible for serious shortages in some product lines. Of such shortages, the most acute and most persistent are in light-gage flat-rolled products (sheets, strip, and tin mill products) and in tubular products, especially large-diameter pipe. In first half 1947, the annual delivery rate of tin mill products reached 4,300,000 net tons and that of sheets and strip, some 18,000,000 net tons—respectively, 10 percent and 15 percent above previous all-time records. Deliveries of pipe and tubing (annual rate) during the same period came to 6,000,000 net tons, or within 3 percent of the all-time record set in 1944. Data on pipe shipments by diameter are not available.

The sheet-strip shortage has had profound repercussions throughout the whole economy and producers have undertaken a huge expansion program to relieve market pressures.² The best available estimate on its scale and timing, developed in a recent American Iron and Steel Institute survey, is shown below.

Expected growth in steel sheet and strip capacity

Estimated, December 31, 1947-----	1,953,200 net tons above July 1941.
Estimated, July 1948-----	2,993,200 net tons above July 1941.
Estimated, December 31, 1948-----	3,620,975 net tons above July 1941.

These figures are said to "exclude tin mill product capacity," but it is not made clear what volume of strip mill break-downs for tinning this implies. Since some of the additional facilities are adapted to cold-reduce strip for tinning and since tin-mill production may be increased as supplies of pig tin improve, the actual mill space available for sheets and strip may prove to be somewhat less than the table suggests.

The Institute survey does not provide a capacity figure for July 1941, and this datum is not available elsewhere. It is known, however, that by December 31, 1947, capacity will be somewhat larger than in first half 1947, when the annual shipment rate was 18,000,000 net tons. Presumably, therefore, completion of the present expansion will place sheet-strip capacity somewhere between 20,000,000 and 21,000,000 net tons per annum.

At present the large-diameter seamless pipe industry does not contemplate any major expansion, producers claiming that costs and the long period required for construction render this infeasible. However, two units for producing electric-welded pipe from wide plate, one rated at 115,000 net tons per annum, will be in operation before the close of 1948. By the same date substantial additions will have been made to small-diameter pipe and tubing capacity, including 300,000 tons in seamless tubing and 155,000 tons in butt-weld pipe.

II DEMAND

A. TOTAL ROLLED AND DRAWN PRODUCTS

At this writing, the only generally available projection of finished steel requirements for 1947-52 is that given in Secretary Krug's report,

² These shortages have been especially harmful in holding back the production of automobiles, trucks, freight cars, and some types of consumers goods, as well as tinplate for containers.

"National Resources and Foreign Aid." Purportedly resting upon a statistical analysis of the historical relationship between steel consumption and gross national output, this estimate places 1948 domestic demand "under conditions of full employment" at 59.4 million net tons of rolled and drawn steel products. This figure is 1 million tons above the estimate made for 1947 as a whole and perhaps 1.3 million net tons above the annual rate which the Krug committee would regard as appropriate for first half 1947. According to the report, both the 1947 and 1948 estimates are very conservative.

B. STEEL INGOTS

The demand for steel ingots, of course, derives from that for finished steel. The Krug report assumes a conversion loss of 26 percent both in 1947 and in 1948. This would place the ingot demand figures at 87.4 million net tons and 89.2 million net tons for first half 1947 (annual rate) and 1948, respectively. Using a factor of 26.5 percent for 1948, as suggested above, would raise that year's figure to 89.8 million net ingot tons.

C. LIGHT GAGE FLAT-ROLLED PRODUCTS AND TUBULAR PRODUCTS

Estimates of recent and forward demand for light-gage flat-rolled products are not currently available. There is general agreement, however, that even with additional facilities in operation supply will remain seriously inadequate through 1948. As recurrent shutdowns in the automobile industry have made evident, output must rise substantially to provide many large consumers with minimum operating inventories; and still further increases will be necessary to bring warehouse and consumer stocks into line with prospective levels of consumption.

The outlook for pipe and tubing is clearer in some respects. A few types (e. g., stainless material) are in relatively comfortable position and a better balance is being struck in some others (e. g., electric welded mechanical tubing). But by and large, the picture is one of huge and apparently insatiable demand. This is especially the case with large-size line pipe. A recent study, showing in detail the tonnage and diameter necessary for each project now under construction or in the planning stage, sets domestic requirements during the next several years above 5.8 million net tons—most of it over 14-inch outside diameter. According to the same study, export demands over this period will aggregate 600,000 net tons. Confirming these estimates, a survey made by the country's leading producer of seamless pipe indicates that for lines now on order or awaiting installation during the period 1947-51, the annual requirement for material 20-inch O. D. and over will be 1.2 million net tons. Even capacity operation of existing and currently building mills will not suffice to satisfy such demands. Similar, though less acute, shortages prevail in oil country goods, notably casing. And with respect to standard pipe and miscellaneous line pipe generally, pipemakers are said to estimate that the equivalent of 4 months' mill deliveries will be necessary to restore

prewar inventory-consumption ratios. It seems quite possible therefore that imbalance in large parts of the pipe and tubing industry will outlast that in flat-rolled steel products.

In summary form, the quantitative relations between steel supply and steel requirements set forth in the preceding paragraphs are as shown below. All figures, it should be emphasized, are predicated upon maintenance of exports at exactly the first half 1947 annual delivery rate.

[Annual rates in million net tons]

	Ingots		Total rolled and drawn products		Sheets and strip		Pipe and tubing	
	IH 1947	1948	IH 1947	1948	IH 1947	1948	IH 1947	1948
Requirements-----	87.4	89.8	64.7	66.0	(1)	(1)	(1)	(1)
Supply-----	84.6	87.1 to 87.6	62.4	64.0 to 64.4	18.0	(2)	6.0	(2)
Surplus (+) or deficit (-)-----	-2.8	-2.2 to -2.7	-2.3	-1.6 to -2.0	-----	-----	-----	-----

¹ Not ascertainable exactly, but known to exceed possible supply by substantial amount.

² Estimates not available.

III. PARIS CONFERENCE STEEL REQUESTS: MAGNITUDE AND POTENTIAL IMPACT

As said above, the foregoing appraisal of 1948 steel supply and requirements assumes implicitly that during 1948 exports of steel and ferrous metalics will just match first half 1947 annual export rates not only in aggregate but by major class of product. Even this rate would involve real strains on the United States. It is now pertinent to inquire whether such a pattern of exports is consistent with delivery of the steel products which the 16 CEEC participating countries propose to obtain from the United States in 1948; and if not, in what ways and to what degree fulfilling CEEC requests would affect 1948 prospects for domestic steel shipments and for commercial exports. The relevant figures, in so far as available, are shown on page 12.

These data are very illuminating with respect both to the effect of CEEC import requirements from the United States on the availability of rolled steel for American home use and to their impact upon our metalics supply and thus our production potential.

On the first head, it will be seen that aggregate 1948 CEEC requirements for semiproducts and finished steel shapes run close to 3.15 million net tons, or more than 60 percent above the annual delivery rate to those countries in the first half of 1947. Moreover, the requirements concentrate heavily in those shapes which are tightest in the United States—sheets, strip, tin mill products and semifinished steels for the manufacture of such products.

With reference to the impact on metalics, the figures are even more disturbing. As against a total drain approximating 400,000 net tons (annual rate) in first half 1947, the CEEC participants propose to obtain almost 2.5 million net tons in the coming year. In round figures, the additional "take" would total 2.1 million net tons, representing a potential home ingot production of 1.9 million net tons. The actual production loss, of course, would be substantially larger

because of the indirect sacrifice of recirculating scrap on the foregone furnace output. Indeed, the total gross reduction would approximate 3 million net tons, or sufficient to offset in full the maximum increase for 1948 indicated above. Thus, if met, the CEEC program would place our already-besieged steel mills under heavy fire from both sides. Not only would it preempt a large portion of our rolled-steel output, but in this process and indirectly through scrap and pig imports it would draw from the United States immense quantities of metallics, thereby causing almost equivalent cuts in American output of ingots. It is difficult to see how, even with drastic cuts in commercial exports, it would be possible to fulfill this program without reducing steel shipments to domestic users well below the first half 1947 annual rate, seriously weakening our own economy.

[Annual rate in thousand net tons]

Product	CEEC participants' 1948 import requests from United States	United States exports IH 1947	
		To CEEC participants	Total
Ingots.....	374		
Refinishing billets.....	913		
Forging billets.....	110		
Slabs.....	440		
Sheet bars.....	110		
Tube rounds.....	N. A.		
1. Total semifinished.....	¹ 1,947	² 381	477
Hot finished strip.....	297		
Tube strip.....	33	178	909
Sheets.....	424		
Tin plate.....	320	125	561
Wire.....	³ N. A.		
Pipe and tubing.....	(³)		
Other finished steel.....	N. A.		
2. Total finished steel.....	⁴ 1,199	⁷ 1,582	⁸ 6,243
Scrap.....	1,539	7	
Pig iron.....	200	39	
3. Total metallics as such.....	1,739	46	
4. Potential recirculating scrap in semiproduct and finished steel products ⁵	753	349	
5. Total "take" of metallics (3+4).....	2,492	395	

¹ Tonnage for CEEC participating countries not presently ascertainable. Some 77,000 net tons have been requested for these nations and Western Germany.

² Excludes some unknown tonnage of tube rounds and squares which CEEC participants are requesting.

³ Wire, pipe and tubing fall within CEEC definition of fabricated products. Estimate of pipe and tubing requirements now being developed at American request.

⁴ Includes estimate of 125,000 tons to cover CEEC nations' aggregate request for wire, pipe, tubing and other finished steel shapes not separately listed. The figure has been chosen arbitrarily, a firm basis for estimation not being available. (See footnote 3 above.)

⁵ Assumes following rates of scrap generation: crude and semifinished steel to finished steel product, 17 percent of crude and semifinished product weight; finished product to fabricated product, 15 percent of finished steel product weight. The first ratio is thought to be very conservative since the "mix" should result in high scrap losses and since the semiproduct total for the CEEC countries does not include tube rounds or wire rods. The second ratio is roughly in line with current American experience.

⁶ Includes ingots, billets, slabs, tube rounds, blooms and sheet bars.

⁷ Assumes that reported total of 1,602,000 net tons (annual rate) includes 20,000 net tons of iron castings, wrought iron pipe and bars, etc.

⁸ Assumes that iron products (castings, pipe, bars, etc.) accounted for 100,000 net tons of total iron and steel product shipments (6,343,000 net tons annual rate).

Nor is this all. There are several good reasons to think that in actuality implementation of the CEEC home steel consumption and steel export programs would place a much heavier burden on us than the foregoing comments suggest. In the first place, some of the steel shipped abroad in first half 1947 came from Government surplus

stocks. Since this source will hardly provide similar quantities henceforward, the claim on American new steel supply will be larger than might be thought at first sight. Secondly, some shipments of steel to western Germany will be necessary. Perhaps not all of these will constitute a net addition to first half 1947 demand since some tonnage may have been sent to this area during that period, but the odds are that a large increase will occur in 1948. Finally, and by all odds most important, the programs rest upon very optimistic expectations (operation at full capacity) with respect to blast furnace and steelmaking furnace performance in the CEEC countries. A shortfall—and one seems inevitable, in view of the very pronounced increases necessary in some cases—would result in further demand on the United States for metallics and probably for finished shapes. The CEEC Steel Report indicates, for example, that each million-ton shortage in coke would raise scrap or equivalent pig iron requirements on this country by 1.2 million tons.

The import of these considerations is quite clear. Unless the CEEC steel end-use programs undergo marked reduction or means can be found to raise significantly the level of production in western Germany above the present 1948 target (4.5 million net ingot tons) without resort to American metallics, the likelihood is that very heavy and perhaps intolerable sacrifices will have to be made by American consumers of steel in that year. It is essential, therefore, to subject to close scrutiny the steel production and distribution programs upon which the stated CEEC steel import needs rest. Such examination should concern itself especially with the following matters:

1. The immense tonnages it is planned to export from the CEEC area. In 1948, the CEEC nations propose to ship to nonparticipating countries, excluding western Germany, some 3.59 million net tons of finished steel, or almost 70 percent more than their exports to nonparticipating countries including western Germany in 1938. For 1950 and 1951 the corresponding totals are 4.98 million net tons and 5.35 million net tons—respectively 135 percent and 153 percent above the 1938 rate.³ In effect, therefore, the semiproduct and scrap imports sought from the United States in 1948 and subsequent years are meant to serve as a basis for raising CEEC exports very greatly above their level in the last full prewar year. The sheet picture resembles the over-all picture; scheduled exports of 176,000 net tons in 1948, 340,000 net tons in 1949, and 413,000 net tons in 1950; imports of 440,000 net tons in 1948, 352,000 net tons in 1949, and 352,000 net tons of sheet mill slabs and sheet bar in 1950. To worsen matters, import requirements for sheets themselves are very heavy in 1948 and 1949 and there is a large annual demand for hot-finished strip and tinplate throughout the 3-year period.

³ Moreover, the program envisages huge increases in exports to dependent overseas territories. Such shipments, totaling 330,000 net tons in 1938, are scheduled to reach 990,000 net tons in 1949 and to rise to 1,375 million net tons by 1951.

The point in this European export increase is to get an annual increase in foreign exchange amounting to, at most, \$150,000,000 from the finishing and processing of the imports of steel from the United States. Quite apart from the question of where these exports are going, will not this volume of semiproduct and scrap taken from our own economy at this time hurt our ability to help Europe in other ways and weaken our own system out of proportion to the amount of foreign exchange European countries may gain?

2. The availability of metallics abroad: Cursory review of the CEEC Steel Report figures raises these real questions: (a) Whether the aggregate volume of metallics shown as available for steel ingot production and foundry pig iron needs is not more than sufficient to support the estimated furnace output; and (b) whether the estimated home scrap supply figure is not too low in relation to the recirculating scrap tonnage one would expect to arise from forecast home steel production plus a reasonable allowance for obsolescent scrap. To the extent to which the estimated metallics supply proves more than adequate to support production, or the amounts actually available turn out to be larger than the estimate indicates, the need for scrap or pig iron exports from the United States would diminish.

3. The possibility of increasing western Germany's steel ingot production at a more rapid rate than envisaged at present: Current schedules call for a total of only 4.5 million net tons in the Bizonia during 1948, with jumps to 6.1 million net tons in 1949; 8.3 million net tons in 1950, and 11 million net tons in 1951. There is widespread belief that substantial additions could be had in 1948 and 1949 by means which would not involve scrap imports from America or a corresponding reduction in output in the CEEC area. To cite one example, claims have been made that Bizonal ingot production could be increased to 6 million or more net tons in 1948 simply through use of additional rich ore supplies which Sweden could provide readily. Careful exploration of this and other possibilities is in order. It seems the major hope of meeting European deficits.

4. The home steel consumption estimates given for several of the countries: This subject lies largely within the province of the staff's work on fabricated products, but discussion in the review of the CEEC Iron and Steel Conversations in Washington indicates that a careful check of some estimates would prove rewarding. In this connection, a review of the major steel expansion programs under way in the United Kingdom, France, and several other nations would seem appropriate. Such programs are large consumers of home-made steel as well as of scarce equipment to be supplied by the United States. Can they be afforded at this time, and what sort of world steel picture will they present when completed? Before building up export steel capacity for the future in Europe at very heavy cost to production for consumers' steel today, is there not a real need to look at the prospects for marketing the capacity that will result and its probable contribution to a lack of world balance harmful to all concerned?



COAL REQUIREMENTS AND AVAILABILITIES

PRELIMINARY REPORT SEVEN OF THE HOUSE SELECT COMMITTEE ON FOREIGN AID PURSUANT TO H. Res. 296 A RESOLUTION CREATING A SPECIAL COMMITTEE ON FOREIGN AID



NOVEMBER 25, 1947.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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80TH CONGRESS } <i>1st Session</i>	HOUSE OF REPRESENTATIVES }	REPORT No. 1151
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COAL REQUIREMENTS AND AVAILABILITIES

NOVEMBER 25, 1947.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HERTER, from the House Select Committee on Foreign Aid,
submitted the following

PRELIMINARY REPORT SEVEN

COAL REQUIREMENTS AND AVAILABILITIES

SUMMARY

1. Although western Europe was self-sufficient with regard to coal before the war, the physical destruction of mines and mining-machinery factories and the loss and lower productivity of coal miners have resulted in a serious coal deficit in western Europe since the end of the war.

2. Only Poland and the United States are now producing coal in sufficient volume to assist in making up this deficit.

3. The quantities of coal requested by western Europe from the United States are thought to be reasonable by American coal technicians, and the Krug Committee on National Resources and Foreign Aid regards them as well within the capacity of United States coal mines and coal resources.

4. The only problem likely to arise in shipping coal from the United States to Europe in the requested volume is the shortage of open-top freight cars to move coal from the mines to consumers in the United States and to seaports.

5. Unless the coal-car shortage can be overcome there may be a decrease in United States coal shipments to Europe. Stocks of coal in the hands of United States consumers are already low, and severe winter weather might result in a critical supply situation in certain areas of the United States which might in turn necessitate the temporary stoppage of coal movements to seaports for shipment to Europe.

6. Aside from United States efforts and in addition to the plans for increasing European production outlined in the report of the Committee of European Economic Cooperation (CEECE), there are other possibilities for increasing European output and use of coal, especially of coking coals, by returning German prisoners of war to the Ruhr coal mines, by increased use of high-grade Swedish iron ore in German steel mills, and by increasing British opencast mining production through the addition of another labor shift.

I. THE EUROPEAN COAL SITUATION

Next to food, coal is the most important commodity required for western European recovery. European industry is far more dependent on coal as a source of energy than is the case in the United States, where hydroelectric power, petroleum products, and natural gas are more plentiful and their use is more highly developed. Without adequate supplies of coal, it is impossible for European industry to produce enough electric power, steel, machinery, freight cars and locomotives, agricultural tractors, and other equipment for meeting its own essential needs. The heating of homes and buildings and the provision of hot water in cities have already been reduced below the levels necessary for maintaining health.

Before the war, Europe was self-sufficient in coal and even produced some coal for export to other parts of the world. But this situation was completely changed by the war for a number of reasons:

1. Very little new machinery and equipment has been put into the mines since 1938 and even the normal necessary replacements of worn-out machines were not made in many instances, because the factories that produced them were either destroyed, damaged, or short of raw materials such as steel, copper, and fuel.

2. The richest coal veins were exhausted during the war, especially in England, and the mines that are producing now yield a relatively smaller percentage of usable coal than was formerly the case.

3. The labor force in the coal mines has declined in numbers from prewar days as a result of war casualties, the movement of population by the Germans, and the movement of workers to more profitable and pleasant industries or to places where better food and shelter were available. The productivity of the individual coal miner is also much lower than before the war because of inadequate food, clothing, and shelter, and the fact that the average age of the miners is greater than prewar. Young men were needed for the armed forces during the last 8 years and did not have an opportunity to replace the older generation in the mines.

4. Productivity of European coal mines has suffered from the disorganization of mine management which accompanied and followed the war.

5. Western Europe has lost one of its major coal-producing areas, the mines of German Silesia, to Poland; and the products of these fields are not available to western Europe to the same extent as before the war.

Despite these difficulties, the coal mines of western Europe have made substantial increases in production compared with the low point reached at VE-day in 1945, but recovery in coal output has not been sufficient to meet Europe's minimum needs.

II. CEEC ESTIMATES OF EUROPEAN COAL REQUIREMENTS

The following tables show the requirements, production, and deficits of western Europe as estimated by the CEEC:

TABLE I.—*Coal requirements and production of the 16 western European nations, omitting bunkers and overseas dependencies*

[Millions of metric tons]

	1938	1947	1948	1949	1950	1951
Requirements.....	552	471	530	555	585	609
Production.....	¹ 483	² 420	475	508	546	575
Deficit.....		51	55	47	39	34

¹ Excludes production of German areas now incorporated in Poland and of the Soviet zone of Germany which were sufficient in 1938 to make up the deficit and provide, in total, small surpluses for export.

² Approximate.

III. UNITED STATES ESTIMATES OF WESTERN EUROPEAN REQUIREMENTS

American experts both here and in Europe are of the opinion that the CEEC has overestimated European coal production for the years 1948 through 1951. It is felt that the targets for coal production

shown in table I, while desirable, are unrealistic because their achievement depends upon substantial mechanization of the European coal mines within a very short time. Examination of the mining-machinery program submitted by the CEEC shows that European countries plan to produce mining machinery and equipment in quantities far in excess of anything they manufactured before the war in a comparable period of time. Even if manufacturing capacity were available in Europe for making such large quantities of mining machinery, it is still felt that steel, copper, and other raw materials will not be sufficiently plentiful. Furthermore, it is questionable whether European coal mines have either the trained labor or the prepared sites for utilizing large-scale mass-production machinery within the near future.

There is also a question whether sufficient labor can be found to work the new mines and shafts which are also necessary for raising European coal production to the planned level. All countries have had intensive labor-recruiting programs for their coal mines, but these programs have so far met with moderate success.

Failure to meet the planned coal-production targets for 1948-51 will not necessarily result in an increase over current demand for American coal. The net result may be that it will take longer than 4 years to achieve the goal of relative European self-sufficiency in coal. American coal will be required in substantial volume even after 1951 and it may not be until 1955 that the CEEC production target for 1951 is achieved.

However, a slowing down of the rate of recovery of coal production, if not met by increased imports in western Europe will have serious effects on other parts of the CEEC program. It will result in a smaller steel production during each year of the program than was originally planned, and it will also prevent the achievement of the electric power and transportation targets. It means, also, that for many more years western European homes will not be adequately heated in cold weather, with attendant consequences for the health and well-being of the population.

Regardless of production levels, there still remains a measurable deficit as compared with the minimum essential requirements which must be met from outside western Europe. Overcoming the deficit depends upon coal imports from the United States and Poland, the only two areas in the world capable of producing and exporting coal in any significant volume. The CEEC countries estimate probable imports as follows:¹

TABLE II.—*Estimated required imports of coal into western Europe from the United States and Poland*
[Millions of metric tons]

	1946	1947	1948	1949	1950	1951
From Poland and other countries.....	4	7	17	25	28	31
From the United States.....	17	39	41	25	14	6
Total.....	21	46	58	50	42	37

(The discrepancies in the totals in this table and the deficits in table I arise from the planned resumption of coal exports from the western European countries after 1948.)

¹ See appendix A for more detailed actual import figures for first 9 months of 1947.

United States experts agree that the quantities estimated by the Europeans as exports from Poland are probably optimistic for the 4 years 1948 through 1951. Polish exports in such large volume depend upon sizable shipments of mining machinery either from the Ruhr or from the United States. It would be safer, therefore, to reduce the anticipated imports from Poland by about one-third for the period from 1948 through 1951. This will result in a corresponding increase in the share of the deficit to be made up by imports from the United States, but the increase should present no physical difficulties after 1948 as it will still be less than the highest figure of United States shipments since the war.

If the Polish imports fail to materialize in the volume estimated by the CEEC, the only year that may present some difficulty will be 1948. United States shipments to Europe probably cannot be increased beyond 45,000,000 metric tons per year without great difficulty. If Polish shipments in 1948 can reach 10,000,000 metric tons, which is quite possible even without new machinery and equipment, the deficit in 1948 will not be difficult to meet.

IV. ESTIMATE OF INTERIM AID NEEDED FROM THE UNITED STATES

The estimates of coal required from the United States for the interim aid program are as follows:

TABLE III.—*Coal requirements from the United States from Oct. 1, 1947, to Mar. 31, 1948*

	Long tons	Metric tons
France.....	7,086,000	7,200,000
French North Africa.....	345,000	400,000
Italy.....	3,453,000	3,600,000
Total.....	10,884,000	11,200,000

Source: U. S. Coal Committee allocations.

These estimates compare favorably with the actual shipments of coal to western Europe during the last 6 months of this year. Table IV shows the actual third-quarter shipments from the United States plus the estimated fourth-quarter shipments based on the allocations already approved by the United States Coal Committee.

TABLE IV.—*Shipments from the United States to Western European countries of hard and soft coal, last half 1947 (fourth quarter estimate)*

Long tons		Long tons	
France.....	8,200,000	Sweden.....	1,600,000
Italy.....	4,200,000	Ireland.....	700,000
Netherlands.....	1,100,000	Portugal.....	500,000
Belgium.....	2,300,000		
Austria.....	200,000	Total.....	20,800,000
Denmark.....	1,200,000	French North Africa.....	400,000
Norway.....	300,000	Mediterranean bunkers.....	700,000
Switzerland.....	500,000		

Source: U. S. Coal Committee.

There is little likelihood of any decrease in European requirements for coal from the United States during the next 6 months. Such a decrease could occur only if export availabilities from the Ruhr,

Poland, and Great Britain were substantially greater than the present rate of shipment from those areas. As any increase in shipments from the Ruhr, Poland, and Great Britain would be relatively negligible during the interim aid period, it is not realistic to take these possibilities into account in estimating the probable requirements from the United States.

Even if American shipments of coal to Europe are maintained at their present rate throughout the winter, there will still be a large deficit of coal in Europe as measured in terms of the capacity of European industry, transport, and households to consume fuel. The level of United States shipments recommended by the U. S. Coal Committee is designed to meet more or less minimum European requirements during the coming winter.

V. EASTERN EUROPEAN COAL AND INTERIM AID REQUIREMENTS FOR WESTERN EUROPE

The question naturally arises as to why Eastern Europe, which includes two countries, namely Poland and Czechoslovakia, that before the war exported considerable quantities of coal, may not be counted upon for exports to Western European countries and particularly to France and Italy during the period of interim aid. Poland now includes many of the coal fields of eastern Germany and has already developed a large export of coal as shown in the tables attached to this report.²

The analysis of the eastern European coal situation that follows shows that three factors bear upon the ability or willingness of eastern European countries to export coal to the west.³

The first, which is not developed in the tabular presentations, is that Russia has first call upon any exportable surplus of coal. At the present time Russia is taking roughly half of the Polish exports of coal and may well increase this amount. Whatever coal surpluses may exist in Rumania and Hungary, because of their low level of industrialization, also appear to be going to the Soviet Union. Until the Donets coal basin regains its prewar production, which will probably not be before 1949 at the earliest, Russia will need to continue this import program. Quite apart from any political motives of blocking the recovery of western Europe, Russia's industrial needs for coal will outstrip her own ability to produce coal and therefore cause a pull on Eastern Europe.

Secondly, the industrialization of the countries of eastern Europe and in particular of Czechoslovakia and Poland is planned to proceed at a very rapid rate. Russia is depending upon these States to supply the Balkans with capital equipment; if this program is successful, their internal coal consumption must be greatly increased. (Czechoslovakia has already become a net importer of coal instead of a considerable exporter as she was before the war.)

In the third place, such exports to the west as Poland is able to make go in the main to countries which can pay for them in goods that the Poles most need to re-establish their railroads and mine system and otherwise to the markets which can supply them with dollars.

² See appendix A and table 2, appendix B.

³ See also appendix B.

The loans made by the United States to Poland, both from surplus property supplies in Europe and in dollars through the Export-Import Bank, were intended to increase the Polish ability to export coal, particularly to western Europe. These loans have undoubtedly increased Polish ability to produce, but there can be little guarantee that the production will go in the right direction.

It is improbable, therefore, that any increased imports will develop for Italy and France during the 6 months' period. According to the tables in appendix A, France received 402,000 metric tons and Italy 342,000 metric tons from Poland for the nine months' period ending with the third quarter of 1947. The estimates that follow in appendix B show that Poland may achieve an increased export of an additional 8 million tons in 1948 added to the planned 20 millions of exports for 1947. However, as both these figures are based upon the Polish Four Year Plan and as Polish coal exports are in fact more likely to be in the neighborhood of 17 million tons for 1947, it is more than doubtful that any such additional export of coal will be achieved in 1948. Poland does not publish figures for her export to Russia or to eastern European countries. It seems reasonably sure, however, that Russia, still suffering deficits for her own industrial use, will hardly permit increased shipments to the West which would relieve the load imposed upon the United States for aiding these countries. However, as a matter of policy every reasonable effort will no doubt be made by the European Coal Organization, which has now been taken over by the Economic Commission for Europe of the United Nations, to get increased shipments to the West from whatever export surpluses Poland develops and is permitted to ship in that direction. Since Sweden is working on a large program for supplying Russia, and is badly in need of coal, it is likely that her share may be more easily increased than would be the case for other Western European countries.

Coal, as well as food, may come to figure in the strategy of Russia, particularly in the coming year. It would seem to be a matter of policy of some weight for western Europe not to develop or be forced (by shortages of exports from the United States, Britain, and Germany) into too great dependence upon Polish coal.

VII. UNITED STATES SUPPLY POSITION

Adequate coal resources and mining capacity exist in the United States for meeting home consumption at present levels and the export demand under both the interim aid program and the 4-year CEEC program. The Report of the Krug Committee on National Resources and Foreign Aid states:

At current production rates, the total hard and soft coal produced in the United States in 1947 will approximate 660,000,000 tons, or about 4 percent below the peak of 684,000,000 tons reached during the war. * * * Total consumption of United States coal in the United States and Canada for 1947 is estimated at 627,000,000 tons.

VII. UNITED STATES COAL TRANSPORTATION SITUATION

It is not the coal resources or mining capacity which might limit the ability of the United States to ship coal to Europe in the requested quantities, but the difficulties of railroad transportation from the coal

mines. Very little coal is stored at the mines, and when transportation facilities are inadequate for the shipment of all the coal mined, production is curtailed accordingly. During the last 3 months there has developed a shortage of open-top freight cars which has caused a loss in coal production of over 1,000,000 long tons per week. As a result, United States consumption of coal during 1947 plus actual and requested exports to foreign countries will in fact exceed total United States production for the current year. The resulting deficit will be made up out of stocks of coal in the hands of consumers.

This is a serious situation for both American consumers and foreign countries. On September 1 it was estimated that the average stocks in the hands of American consumers were approximately equal to a 30-day supply. During the summer and early fall it is customary for stocks to be built up to a 45-day supply to provide against increased consumption and decreased deliveries caused by winter weather. Our consumers' stocks are, therefore, already abnormally low, and in some regions are less than a 30-day supply. Should the coming winter be severe and result in transportation delays and increased needs for heat, it is possible that the stock situation will become critical in certain areas of the country.

The only remedy for this situation, apart from cutting our foreign exports below present volume, is to increase the supply of open-top freight cars available for moving coal from the mines. During the war when a similar situation arose, it was solved by the Office of Defense Transportation diverting freight cars from hauling cement, sand, gravel, and other bulk commodities to the haulage of coal. This diversion was accomplished by (1) requiring cement, sand, and gravel producers to ship their goods wherever possible via inland waterway barge transportation, admittedly a slower but also a cheaper method than by rail; and (2) permitting cement, sand, and gravel producers to exchange customers among themselves and thereby eliminating cross hauls. If these two practices were adopted today they would result in freeing enough freight cars for the movement of coal to overcome the present shortage in coal transportation. At the same time, measures should be undertaken to increase the manufacture of new open-top freight cars, in order to permit cement, sand, and gravel manufacturers to return to their normal trade practices as soon as possible. It must also be pointed out that a very small reduction (as little as 1 day) in the turnaround time of open top freight cars would go most of the way toward solving the coal-car shortage.

The problem of transportation will be treated at greater length in a subsequent staff report devoted to that subject.

VIII. THE PROBLEM OF COKING COAL

Although western Europe is short of coal, the shortage is most acute in the higher grades of coal, especially coking coal which is vitally needed in the metallurgical industries. It was only at the beginning of this year that the United States was able to ship small amounts of coking coal to Europe, and even these have been of inferior grades. If the demand for coking coal in the United States grows any greater than at present, or if transportation difficulties persist, it is possible that the United States may have to stop shipments of the so-called metallurgical grades to Europe.

Such a step would have serious consequences in Europe, where the whole industrial recovery program depends on increasing supplies of coking coal. Before the war, Europe's supplies of coking coal came mainly from the Ruhr and Great Britain. England now produces barely enough for her own needs and can probably not increase her production much in the near future. The Ruhr, however, has large resources of excellent-grade coking coals which have traditionally been burned in European furnaces.

Several plans have been advanced for increasing the production of coking coal in the Ruhr. The proposal favored by the military authorities in Berlin and the Ruhr involves the return to Germany of the German prisoners of war at present working in the French and Belgian coal fields.

There are, approximately, at the present time 85,000 Germans working in the French and Belgian coal mines, 50,000 in France and 35,000 in Belgium. These miners produce approximately 65,000 tons of steam coal per day which cannot be readily or efficiently used for coking purposes. As the productivity of labor is greater in the Ruhr mines than in France or Belgium because of the greater extent of mechanization in the German mines and the larger coal seams, these Germans could probably produce almost 50 percent more coal in the Ruhr than in France or Belgium. The military authorities propose that the German prisoners of war be returned to the Ruhr as soon as possible, where they could produce about 100,000 additional tons of coking coal. France and Belgium would be compensated for the loss of 65,000 tons of ordinary steam coal per day by receiving from Germany 65,000 tons per day of coking coal, a far more desirable grade of coal. There would remain in Germany an additional 35,000 tons per day of coking coal or a total of approximately 9,000,000 tons per year, which would greatly assist the recovery of German industry to the ultimate benefit of the whole of western Europe. If France and Belgium could replace the German miners with Italians, Poles, and other eastern and southern Europeans, they might be able to continue the production of the 65,000 tons of steam coal per day, which would be lost by removal of the German prisoners of war, and thus enjoy an actual gross increase in coal supplies equal to the 65,000 tons per day of highly necessary coking coal to be imported from the Ruhr.

An additional proposal is concerned with the more efficient use of coking coal in order that each ton of coal should produce a greater quantity of steel. Before the war the German steel mills used a large proportion of Swedish iron ore which has a higher iron content than the German or French ores. Since the war, there has been only a negligible importation of Swedish ore into Germany. If the import of Swedish ore can be increased, steel production in Germany can be correspondingly increased with the same amount of coal.

The possibilities of putting these plans into effect are of concern to the United States. Even if our transportation problem does not become so difficult as to necessitate a reduction in our coal shipments to Europe, it is still important to increase European consumption of coking coal in order to increase European steel production and thus decrease the European requirements for American steel and steel products. Increased supplies of coking coal are one of the principal

keys to European industrial recovery and will hasten the day when western Europe can stand on its own feet.

IX. THE BRITISH STRIP-MINING PROGRAM

During the war, largely as a result of American insistence and assistance, the British substantially increased their output of coal from surface mines—the so-called “strip” or opencast mines. The British strip-mining program has, however, been below target levels since the war because of shortages of strip-mining machinery and equipment and the discontinuation of one shift in the working day. If that shift can be restored, strip-mining production can be immediately and substantially increased. Trained coal miners are not required for strip-coal work and it should not be too difficult to recruit the necessary additional labor from among construction and quarry workers and other labor experienced in earth-removal work. The shipment of additional strip-mining machinery from the United States would also increase production by enabling additional sites to be worked.

X. CONCLUSIONS

1. Although there is disagreement over the estimates of European production possibilities, there is general agreement among both European and American experts regarding the size of the annual western European coal deficits which will have to be made up by imports from the United States and Poland.

2. The requests for coal shipments from the United States are within the physical capacity of the United States coal mines and coal resources.

3. Assuming that labor troubles and similar contingencies do not disturb United States coal production, the only difficulty likely to arise which would prevent our shipping coal to Europe in the requested volume is internal rail transportation in the United States.

APPENDIX A

Coal imports by CEEC countries from Ruhr-Cologne, Saar, and Poland, first 9 months, 1947 (third quarter estimated)

[Thousands of metric tons]

Country	Ruhr-Cologne	Saar	Poland	Total
Austria.....	1,601	7	504	2,112
Belgium.....	648		248	896
Denmark.....	573		698	1,271
France and North Africa.....	1,319	739	402	2,460
Greece.....	117			117
Iceland.....			22	22
Italy.....	626	19	342	987
Luxemburg.....	1,033	152		1,185
Netherlands.....	846		235	1,081
Norway.....	302		417	719
Portugal.....	65			65
Sweden.....	98		1,754	1,852
Switzerland.....	104	11	509	624
United Kingdom.....			57	57

Source: Derived from Committee of European Economic Cooperation, vol. II, Technical Reports.

APPENDIX B

THE EAST EUROPEAN COAL SITUATION IN 1947 AND 1948

The situation with regard to coal surpluses in eastern Europe (Bulgaria, Czechoslovakia, Finland, Hungary, Poland, Rumania, Yugoslavia, and the U. S. S. R.) is conditioned mainly by the following aspects of economic development in those countries:

1. With the exception of Rumania and Finland, all these countries have economic plans for national development. These plans contemplate not merely a return to prewar levels of output but a considerable development beyond these levels. Thus, the situation in eastern Europe presents a break with the past. Data referring to prewar conditions may be a hindrance as well as a help in examining the present. The following table compares planned output with prewar industrial output for the six countries with over-all plans:

Industrial output

[Prewar level equals 100]

	1946	1947	1948	1949	1950	1951
Bulgaria.....	91	136	167			
Czechoslovakia.....			110			
Hungary.....				126		
Poland.....	67	92	128	152		
U. S. S. R.....					148	
Yugoslavia.....						303

Source: *Zahranichni Obchod* (Prague), No. 16 (Aug.) 1947.

2. In each of these countries, in addition to over-all industrial expansion, emphasis is being put upon the development of heavy industry in an effort to attain self-sufficiency in those machinery and equipment items of which Germany was the main prewar supplier. This situation is particularly true in Czechoslovakia and Poland, which apparently wish to become exporters of capital equipment, supplying the Balkans. Since the heavy industries are particularly coal-consuming, this is further reason to stress the increased needs for coal which will result from the developmental programs in Eastern Europe.

3. Before the war the U. S. S. R., Poland, and Rumania were the main oil producers in this region. Poland's oil fields were virtually all located within the eastern area annexed by the Soviet Union at the end of the war; Polish plans for crude oil output call for a level of production in 1949 equal to only 38 percent of the 1938 level. Rumanian oil production in 1947 is expected to reach only 3.7 million tons (according to Soviet sources) as compared to 4.2 million tons in 1946 and 6.2 million tons in 1939. This decline is due in part to the disturbed political situation in Rumania, in part to the generally inflationary economic picture, and in part to deterioration in oil drilling and refining equipment (aggravated by Soviet removals of equipment since the end of the war). Such export surplus as exists is being paid as reparations to the U. S. S. R. The Soviet Union is suffering an acute shortage in petroleum products because of wartime declines in production caused by German destruction and to lack of equipment. The country does not expect to regain its prewar oil production of 31 million tons until 1949; hence reparations from Rumania are of particular importance in the Soviet economy.

As a result of this shortage of crude oil, Poland and Czechoslovakia are turning to the manufacture of synthetic gasoline from coal. Czechoslovakia is the more important producer, for Polish refining equipment was apparently removed by the Russians in 1945. The effect of the synthetic fuel industry would in itself have been sufficient, in prewar times, to have changed Czechoslovakia from a country exporting 2.5 million tons of coal to a coal-importing country; it is one of the major reasons why Czechoslovakia will import coal in 1947 and 1948.

4. At the present time, the Soviet Union is importing coal from Poland at the rate of 7.5 million tons per year. It is also probable that any coal surplus in Rumania and Hungary is going to the Soviet Union. The attached tables esti-

mate that Soviet coal imports will amount to 8.1 million tons in 1947 and to 7.8 million tons in 1948. It is clear that one of the major factors in the East European economic picture is the Soviet coal industry.

Soviet industrial output in 1947 will probably be at least as great as in 1940; but production of capital goods will be higher than in that year. It is reasonable therefore to suppose that coal consumption will be at least as great as the 166 million tons consumed in 1940. Coal production, however, is still below the prewar rates; furthermore coal production is particularly low in the devastated fields which normally supply the important Moscow and Leningrad industrial areas. The Polish coal shipments to the U. S. S. R. presumably supply these areas, and it is improbable that the need for them will drop off until 1949, at the earliest, when the Donets coal basin is to regain its prewar production.

Unfortunately the problems of estimating Soviet production (whether of coal or of all industry) are considerable; (the State Department has made estimates, but, superficially at least, they seem to be only approximations, and it may be possible to do better.) Soviet industrial production, and Soviet coal requirements are one of the keys to the eastern European coal situation. The answer to these problems has not yet been definitely found.

5. The various estimates of Polish coal exports are based upon data given in the Polish four-year plan, which was approved in September 1946, that is to say before the worsening in Soviet-American relations over the summer of 1947. Needless to say theirs is only a plan, and has fallen far behind its objective. The plan provides that Polish coal exports in 1947 should be 20 million tons, and that exports in 1948 should be 28 million tons; after deducting the needs of the Soviet Union and of eastern Europe from this total, there remain about 8 million tons in 1947 and 16 million tons in 1948 (the latter figure was furnished to the Paris Conference by the Polish Government.) It should be emphasized that there is nothing inevitable about the 1948 figure. On the one hand, an increase in Soviet demand for Polish coal (resulting, for instance from increased rates of Soviet industrialization) would reduce the surplus balance available for western Europe; on the other hand, the Polish authorities

TABLE 1 OF APPENDIX B.—*Output of solid fuel in 8 eastern European countries*

[In thousands of long tons]

	Prewar	1946	1947	1948 (Plan)
Lignite:				
Bulgaria.....	¹ 2,750	3,520	² 3,936	4,000
Czechoslovakia.....	³ 18,100	19,473	² 23,954	24,350
Finland.....				
Hungary.....	8,300	5,600	7,900	9,200
Poland.....		(1,000)	² 4,900	
Rumania.....	2,100	1,700	1,700	1,800
Yugoslavia.....	¹ 4,312	⁴ 3,684	5,700	7,100
U. S. S. R.....	(⁵)	(⁵)	(⁵)	(⁵)
Coal:				
Bulgaria.....				
Czechoslovakia.....	³ 16,800	14,163	² 16,196	17,746
Finland.....				
Hungary.....	1,000	700	900	1,000
Poland.....	38,100	47,288	² 54,336	
Rumania.....	300	200	200	300
Yugoslavia.....	¹ 446	⁶ 510	600	1,000
U. S. S. R.....	132,900	148,000	163,000	(185,000)
Bulgaria ⁷	917	1,173	1,312	1,333
Czechoslovakia ⁸	27,440	25,700	29,200	32,050
Finland ⁹				
Hungary ⁹	4,300	2,900	4,100	4,700
Poland ¹⁰	38,100	47,510	55,426	70,000
Rumania ⁹	1,100	900	900	1,000
Yugoslavia ⁹	4,000	3,000	4,000	5,300
U. S. S. R. ¹¹	132,900	140,000	154,000	175,000

¹ 1939.

² $\frac{1}{2}$ year rate.

³ 1937.

⁴ First quarter.

⁵ Data not separately available.

⁶ 9 months' rate.

⁷ 3 tons lignite equal 1 ton coal, League of Nations, Statistical Yearbook, 1939-40.

⁸ 17 tons lignite equal 10 tons coal, *ibid.*

⁹ Staff estimates on comparative basis from several sources.

¹⁰ 9 tons lignite equal 2 tons coal, League of Nations, *op. cit.*

¹¹ This estimate takes into account a drop estimated at about 5.5 percent in the average calory content of Soviet fuel, as a result of wartime shifts in output among producing areas.

TABLE 2 OF APPENDIX B.—*Estimated coal surplus (+) or deficit (—) for 8 eastern European countries*

[In thousands of long tons of coal equivalents]

	Prewar (1938) ¹			1947			1948		
	Output	Consumption	Surplus or deficit	Output	Consumption	Surplus or deficit	Output	Consumption	Surplus or deficit
Bulgaria ²	917	989	-72	1,312	1,330	-20	1,333	1,333	-----
Czechoslovakia ²	27,440	24,850	+2,590	29,200	29,810	³ -610	32,050	32,420	³ -370
Finland.....	-----	1,778	-1,778	-----	1,510	-1,510	-----	1,780	-1,780
Hungary.....	4,300	4,546	-246	4,100	3,630	+500	4,700	4,220	+480
Poland.....	38,100	26,274	+11,826	55,426	38,900	³ +17,500	70,000	42,000	³ +28,000
Rumania.....	1,100	1,190	-90	900	830	+130	1,000	1,050	-50
Yugoslavia.....	4,000	4,621	-621	4,000	3,850	+150	5,300	4,950	+350
U. S. S. R.	132,900	132,000	⁴ 900	154,000	162,130	⁵ -8,130	175,000	182,800	⁵ -7,800
Total surplus.....	-----	-----	12,500	-----	-----	8,000	-----	-----	18,930

¹ League of Nations, Statistical Yearbook 1939-40.² "Prewar" means 1939 for Bulgaria and 1937 for Czechoslovakia.³ These are planned deficits and surpluses, as cited in the Czech Two-Year Plan (Russian edition, p. 83), and are considerably higher than other more realistic estimates, although lower than the Polish plan figures themselves for 1947.⁴ Estimated. Soviet coal exports declined from 2.1 million tons in 1935 to 1.8 million tons in 1936 and 1.2 million tons in 1937.⁵ Assuming the Soviet Union absorbs all of the Hungarian and Rumanian surplus; Poland plans to ship 7.5 million tons to the U. S. S. R. in 1947 and 7.3 million tons in 1948 (New York Times, Oct. 25, 1947).

might revise their coal production plans downwards to divert resources to other industries, on the ground that existing economic proposals in western Europe are unfriendly to Poland. Hints to this effect have already been made by Polish leaders. The solution to this difficulty will depend largely upon the ability of the western European countries to offer to Poland items of supply which the Poles may need. It would be a mistake to assume that 16 million tons of Polish coal will be available to western Europe "rain or shine" (practically speaking). However, a loss of imports from the west, would be a most serious matter for Poland if this retaliatory measure were taken in answer to a drop in her coal exports.

80TH CONGRESS
1ST SESSION

H. R. 4579

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 25, 1947

Mr. HERTER introduced the following bill; which was referred to the Committee on Foreign Affairs

A BILL

To provide means for financing United States programs of foreign aid and to create agencies to carry out such programs.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Emergency Foreign
4 Reconstruction Act, 1948".

PART I—GENERAL PROGRAM

OBJECTIVES

7 SEC. 10. (a) It is essential to the future security and
8 well-being of the United States that foreign countries which
9 are themselves striving to rehabilitate and reconstruct their
10 war-devastated economies but need assistance to achieve suc-

cess in their efforts, be extended such assistance. It is the policy of the United States to act effectively in this regard under programs designed to achieve the following objectives without causing undue strain to the economy of the United States:

(1) Continuous application on the part of recipient countries, individually and jointly, of vigorous efforts directed to increasing the production of food and materials needed to meet not only their own essential internal needs but the needs of other countries as well, so that their deficits in essential commodities, articles, and materials will progressively decrease and their requirements from abroad be limited to a minimum consistent with sound economic balance.

(2) Continuous mutual help and cooperation among recipient countries directed to facilitating the economic interchange of goods and services among themselves, providing effective distribution and use of their own resources as well as of the resources received from abroad, and working toward the elimination of exchange controls, quota restrictions, and other obstacles to trade.

(3) The recognition by countries, other than the United States, which are in a position to supplement a program of aid, have the same incentive as the United States to do so, and enjoy access to United States sup-

plies, of the desirability of cooperating in such program,
each in relation to its ability to do so.

(4) Encouragement of private initiative to assume,
as conditions permit, the emergency activities which
have devolved on governments as a result of the economic devastation caused by the war.

(5) The adoption by recipient countries of fiscal,
financial, and monetary programs designed to arrest inflation, to correct existing monetary weaknesses, to accomplish stabilization of exchanges, and generally to restore confidence in their currencies.

(6) The dissemination by recipient countries of full and continuous publicity regarding the purpose, source, character, and amounts of aid furnished by the United States, where such aid is not on the basis of commercial loans or normal commercial transactions.

(b) All agencies of the United States participating in the United States program of foreign aid (including United States representatives on international organizations) shall, in the exercise of their respective functions in this regard, be guided by the objectives set forth in this section.

FOREIGN AID COUNCIL

SEC. 11. (a) In order that facilities may exist to promote the maximum coordination possible in formulating, within the limits of available funds and subject to this Act,

1 and in carrying out the foreign-aid programs of the United
2 States by the various agencies of the United States par-
3 ticipating in such programs, there is hereby created an inter-
4 agency council to be known as the Foreign Aid Council
5 (hereinafter called the "Council"), which shall consist of
6 the Secretary of State (who shall be chairman), the Secre-
7 tary of the Treasury, the Secretary of National Defense,
8 the Secretary of Agriculture, the Secretary of Commerce,
9 the directors of the Emergency Foreign Reconstruction
10 Authority (hereinafter provided for), and the Chairman of
11 the Board of Directors of the Export-Import Bank of
12 Washington.

13 (b) The Council shall from time to time (1) advise and
14 consult with the President with respect to the establishment
15 by him, within the limits of available funds and subject to
16 this Act, of the programs of United States aid to foreign
17 countries, and policies in connection therewith, and (2)
18 advise and consult with its executive director (hereinafter
19 provided for) regarding the execution of such programs and
20 policies. The Council shall meet at least once in every
21 calendar month.

22 (c) The chairman of the board of directors of the
23 Emergency Foreign Reconstruction Authority (hereinafter
24 provided for) shall be ex officio the executive director of the
25 Council. As such he shall have the responsibility of

1 (1) examining all of the various needs of foreign countries
2 in connection with the rehabilitation and reconstruction of
3 their war-devastated economies, (2) formulating for the
4 consideration of the Council proposed programs of United
5 States aid to such countries and proposed policies in connec-
6 tion therewith, and (3) providing for the efficient execution
7 of any programs of foreign aid and policies in connection
8 therewith by issuing, with the approval of the President and
9 after advising and consulting with the Council, directives to
10 the various departments and agencies participating in such
11 programs. Every department or agency to which any such
12 directive is issued shall, within the limits of the powers
13 granted it by law, forthwith comply therewith.

14 (d) The Emergency Foreign Reconstruction Authority
15 shall furnish the Council with a staff to assist the Council in
16 the performance of its functions.

17 PART II—EMERGENCY BASIC REQUIREMENTS ASSISTANCE

18 EMERGENCY FOREIGN RECONSTRUCTION AUTHORITY

19 SEC. 20. (a) There is hereby created, as an independent
20 agency of the United States, a corporation to be known as
21 the Emergency Foreign Reconstruction Authority (herein-
22 after called the "Authority").

23 (b) The purposes and objects of the Authority shall
24 be to assist the Foreign Aid Council and its executive director
25 in the performance of their respective functions under sec-

tion 10; to meet the emergency needs of foreign countries for food, fuel, and fertilizer required to enable them to achieve success in their efforts to rehabilitate and reconstruct their war-devastated economies; and to make available to such countries limited categories of consumer goods (other than food, fuel, and fertilizer) that will provide incentives to production and distribution therein, and limited quantities of agricultural, mining, and other productive machinery and equipment that is urgently required therein, where, in either case, such countries are unable to finance immediately the purchase of such goods, machinery, or equipment. In connection with and in furtherance of such purposes and objects, the Authority shall have the power—

(1) to determine, prescribe, and conclude the arrangements under which such commodities, articles, machinery, and equipment will be made available to any foreign country;

(2) subject to section 23, to determine in what form payment shall be made by any foreign country on account of such commodities, articles, machinery, or equipment made available by the Authority to such country;

(3) to purchase such commodities, articles, machinery, and equipment without regard to section 3709 of the Revised Statutes or other provisions of law relating to purchases by the United States;

1 (4) to make contracts and acquire and dispose of
2 property in its own name;

3 (5) to engage in foreign exchange transactions;

4 (6) to adopt, alter, and use a corporate seal, which
5 shall be judicially noticed;

6 (7) to sue and be sued, and to complain and de-
7 fend, in its own name in any court of competent juris-
8 diction in the United States or in any Territory or pos-
9 session thereof;

10 (8) to employ and fix the compensation of such
11 personnel as it deems necessary to further such purposes
12 and objects and to dismiss any of such personnel at
13 pleasure, without regard to laws relating to the employ-
14 ment and compensation of officers and employees of the
15 United States, except that so far as practicable clerical
16 and stenographic personnel shall be employed from lists of
17 eligibles furnished by the Civil Service Commission and
18 the compensation of such personnel fixed in accordance
19 with the applicable compensation schedules in the Clas-
20 sification Act of 1923, as amended; and to contract for
21 services;

22 (9) to create subsidiary corporations under the laws
23 of foreign countries, where it is necessary or appropriate
24 for the Authority to exercise its powers in foreign coun-

1 tries through subsidiary corporations created under the
2 laws thereof; and

3 (10) generally to do all things necessary to the
4 achievement of such purposes and objects, and the
5 specification of particular powers in the foregoing para-
6 graphs shall not in any manner limit the generality of
7 the powers granted in this paragraph.

8 (c) The Authority shall not have any power to make
9 loans payable in United States currency.

10 (d) The Authority shall have succession until January
11 1, 1954, whereupon all of its assets and liabilities shall vest
12 in the Export-Import Bank of Washington, as liquidating
13 agent, whose duty it shall be to wind up the affairs of the
14 Authority as rapidly as possible consistently with orderly
15 liquidation.

16 (e) The Authority shall be entitled to the free use of
17 the United States mails in the same manner as the executive
18 departments of the Government.

19 (f) Neither the Authority nor any of its functions,
20 powers, or duties shall be transferred to or consolidated with
21 any other department, agency, or corporation of the Govern-
22 ment unless Congress shall hereafter otherwise by law
23 provide.

24 (g) The Authority shall be subject to the Government .

1 Corporation Control Act to the same extent as wholly owned
2 Government corporations listed in section 101 of that Act.

3 (h) The Authority is authorized to utilize the services,
4 facilities, and personnel of any department or agency of the
5 Government, with the consent of the head of such depart-
6 ment or agency, and to reimburse the appropriations of such
7 department or agency therefor.

8 (i) The Authority shall make a report of all its
9 activities to the President once every three months (which
10 shall include reports of the administration of local recon-
11 struction funds provided for in section 24), and all such
12 reports shall be submitted by the President to Congress.

13 MANAGEMENT OF AUTHORITY

14 SEC. 21. (a) The powers of the Authority shall be exer-
15 cised by the Chairman of the board of directors of the Author-
16 ity (who shall be a full-time officer of the Authority) under
17 the direction of a board of directors (hereinafter called the
18 "Board") consisting of the Chairman and seven other mem-
19 bers, appointed by the President by and with the advice
20 and consent of the Senate. All of the members shall be mem-
21 bers of one or the other of the two major political parties,
22 and not more than four shall be members of the same political
23 party. Each member of the Board who is not also an officer
24 of the Authority shall receive from the Authority a per diem

1 of \$100 for each day during which he is in attendance at
2 meetings of the Board. Vacancies in the Board shall be
3 filled according to the manner in which the member causing
4 such vacancy was appointed. Five members of the Board
5 shall constitute a quorum for the transaction of business of
6 the Board.

7 (b) The Chairman of the Board shall be the executive
8 head of the Authority and executive director of the Foreign
9 Aid Council.

10 (c) The Board shall have power to prescribe, amend,
11 and repeal bylaws, rules, and regulations (1) governing the
12 manner in which the business of the Authority shall be con-
13 ducted and its powers exercised, (2) defining the functions
14 and duties and prescribing the compensation of the officers
15 of the Authority, and (3) determining and prescribing the
16 manner in which obligations of the Authority shall be in-
17 curred and its expenditures allowed and paid. The Board
18 may require bonds of any officer of the Authority (other
19 than the Chairman) and fix the penalties thereof, and may
20 dismiss any officer or employee of the Authority (other than
21 the Chairman) at pleasure.

22 (d) The officers of the Authority shall consist of the
23 Chairman of the Board, not more than two vice presidents,
24 a treasurer, a secretary, and such special officers and represen-

1 tatives as the Board may prescribe. The officers (other than
2 the Chairman) shall be appointed by the Board.

3 CAPITAL OF AUTHORITY

4 SEC. 22. (a) The Authority shall have a capital stock of
5 \$500,000,000. subscribed by the United States. Payment
6 for such capital stock shall be made by the Secretary of the
7 Treasury at the call of the Board, and for this purpose the
8 Secretary of the Treasury is authorized to use as a public
9 debt transaction the proceeds of any securities hereafter
10 issued under the Second Liberty Bond Act, as amended, and
11 the purposes for which securities may be issued under that
12 Act are extended to include such purposes. Certificates
13 evidencing stock ownership of the United States shall be
14 issued by the Authority to the Secretary of the Treasury.

15 (b) The Authority is authorized to issue from time
16 to time for purchase by the Secretary of the Treasury non-
17 interest-bearing notes maturing not later than the date on
18 which the Authority ceases to have succession; but the aggregate
19 amount of such notes outstanding at any one time shall
20 not exceed — times the authorized capital stock of the
21 Authority. The Secretary of the Treasury is authorized and
22 directed to purchase any notes of the Authority issued here-
23 under and for such purpose the Secretary of the Treasury is
24 authorized to use as a public debt transaction the proceeds

1 of any securities hereafter issued under the Second Liberty
2 Bond Act, as amended, and the purposes for which securities
3 may be issued under that Act are extended to include such
4 purpose. There are authorized to be appropriated to the
5 Authority from time to time sums to enable the Authority
6 to retire notes issued by it hereunder.

7 (c) As of the 31st of December in each year and as
8 soon as possible thereafter, an appraisal of all the assets
9 and liabilities of the Authority shall be made by the Secre-
10 tary of the Treasury for the purpose of determining its net
11 worth. The value of assets shall, insofar as possible, be
12 determined on the basis of market value at the time of
13 appraisal, except that foreign currencies received in pay-
14 ment for commodities shall be assigned only a nominal value.
15 A report of any such appraisal shall be submitted to the
16 President as soon as possible after it has been made, and
17 by him submitted to Congress.

18 PAYMENT FOR COMMODITIES FURNISHED TO
19 FOREIGN COUNTRIES

20 SEC. 23. (a) The arrangements between the Authority
21 and any foreign country for furnishing commodities, articles,
22 machinery, and equipment described in section 20 (b) to
23 such country shall provide for payment of full consideration
24 therefor. The character of the consideration shall be that
25 which the Authority deems to be the best obtainable in the

1 light of the economic situation of the foreign country con-
2 cerned, the relationship of the goods being furnished to the
3 over-all plan of reconstruction and rehabilitation, and the
4 objectives set forth in section 10 of this Act.

5 (b) To the extent that the Authority determines that
6 securing consideration in United States currency, or in
7 obligations payable in United States currency, is not feasible
8 in the light of the factors set forth in subsection (a), the
9 Authority may accept (1) local currency of the foreign
10 country, (2) currencies of foreign countries other than the
11 recipient country, (3) other consideration that has or will
12 have a readily determinable market value, or (4) any com-
13 bination of the foregoing, but consideration in the form of
14 currencies of foreign countries other than the recipient coun-
15 try may not exceed 25 per centum of the value of the total
16 consideration received. The exchange value of any foreign
17 currency received shall be fixed in the arrangements con-
18 cluded, but if agreement cannot be reached in this respect
19 then the exchange value shall be that currently fixed by the
20 International Monetary Fund. So far as practicable, the
21 consideration to be received shall include the furnishing to
22 the United States, or agreeing to produce for the United
23 States, for stockpiling purposes, strategic minerals that are
24 produced, or whose production can be developed, in the
25 recipient country (including its colonies and possessions).

1 USE OF FOREIGN CURRENCIES RECEIVED

2 SEC. 24. (a) The foreign currencies of the respective
3 countries receiving aid from the Authority shall be used as
4 local reconstruction funds in those countries as hereinafter
5 provided.

6 (b) Each local reconstruction fund (which shall include
7 the initial principal sum, and any income therefrom and
8 increment therein) shall, subject to the provisions of this
9 section, be administered in such manner as may be prescribed
10 in the arrangements concluded by the Authority with the re-
11 cipient country in question. The expense of administering
12 the fund may be paid from the fund. In concluding arrange-
13 ments with the various recipient countries, the Authority
14 shall endeavor to secure the inclusion of provisions to the ef-
15 fect that all disputes in respect of the use or administration
16 of local reconstruction funds shall be submitted forthwith for
17 final determination to a designated international agency or
18 arbitral tribunal.

19 (c) Each local reconstruction fund shall be administered
20 and utilized for the purpose of contributing to the rapid re-
21 covery of economic stability in the foreign country concerned
22 and of developing new sources of wealth therein. To the
23 extent necessary to achieve this purpose each such fund may
24 be used—

25 (1) to purchase and sell securities, and otherwise

1 to invest in enterprises and projects which will con-
2 tribute to such recovery or develop new sources of
3 wealth;

4 (2) to purchase in such country, at the request of
5 the Secretary of National Defense, strategic and critical
6 materials for stockpiling in the United States, and to
7 develop natural resources for future stockpiling;

8 (3) to promote enterprises of mutual interest to
9 the United States and such foreign country; and

10 (4) To aid in furnishing technical assistance to such
11 foreign country to further its reconstruction efforts.

12 (d) The powers in respect of the administration and
13 use of any local reconstruction fund in any foreign country
14 shall be subject to the following limitations:

15 (1) Such powers shall be exercised so far as prac-
16 ticable to avoid exercising control over the management
17 or operation of any enterprise or project in which sums
18 in such fund may be invested.

19 (2) Such powers shall not be exercised so as to
20 permit, without the approval of the International Mone-
21 tary Fund, the exchange, directly or indirectly, of sums
22 in the fund for United States currency or the currency
23 of any other country that can be freely exchanged in
24 world markets.

25 (3) Such powers shall not be exercised in a manner

1 that will impair the monetary or fiscal policy of the
2 recipient country.

3 (e) The Authority may direct the sale for United States
4 currency, at the original value or at a discount, in the dis-
5 cretion of the Authority, of all or any part of any local re-
6 construction fund either to the government of the foreign
7 country in which it is being administered or to any person
8 approved by the government of such country; and any for-
9 eign country in which such a fund is being administered shall
10 at all times have the right to purchase all or any part of
11 such fund in United States currency at such original value.

12 PART III—AMENDMENTS TO EXISTING LAWS

13 AMENDMENT OF EXPORT-IMPORT BANK ACT OF 1945

14 SEC. 30. (a) Section 4 of the Export-Import Bank Act
15 of 1945 is amended—

16 (1) by striking out “\$1,000,000,000” and inserting
17 in lieu thereof “\$ ”; and

18 (2) by striking out “\$825,000,000”.

19 (b) The second sentence of section 2 (a) of the Ex-
20 port-Import Bank Act of 1945 is amended to read as follows:
21 “The objects and purposes of the bank shall be (1) to aid
22 in the financing and to facilitate exports and imports and the
23 exchange of commodities between the United States or any
24 of its Territories or insular possessions and any foreign coun-
25 try or the agencies or nationals thereof, and (2) to facilitate

1 United States programs of aid to foreign countries in con-
2 nection with the rehabilitation and reconstruction of their
3 war-devastated economies by aiding in financing purchases
4 by such countries of needed articles and commodities of a
5 character normally financed by short term or intermediate
6 credit.”

7 EXTENSION OF POWER OF ALLOCATION UNDER SECOND WAR

8 POWERS ACT, 1942

9 SEC. 31. Subsections (b) and (c) of section 1501 of
10 the Second War Powers Act, 1942, as amended, are
11 amended by striking out “February 29, 1948,” in each of
12 such subsections and inserting in lieu thereof “June 30,
13 1949”.

14 EXPORT CONTROLS AND ALLOCATIONS

15 SEC. 32. (a) Section 6 (d) of the Act of July 2, 1940,
16 entitled “An Act to expedite the strengthening of the na-
17 tional defense”, as amended, is amended by striking out
18 “February 29, 1948” and inserting in lieu thereof “June
19 30, 1949”.

20 (b) The powers, functions, and duties of the Secretary
21 of Commerce under section 6 of the Second Decontrol Act
22 of 1947 are hereby transferred to the Executive Director of
23 the Foreign Aid Council. Such transfer shall take effect
24 sixty days after the date on which the Chairman of the

1 Board of Directors of the Emergency Foreign Reconstruc-
2 tion Authority first appointed under this Act qualifies and
3 takes office.

80TH CONGRESS
1ST SESSION

H. R. 4579

A BILL

To provide means for financing United States programs of foreign aid and to create agencies to carry out such programs.

By Mr. HERTER

NOVEMBER 25, 1947

Referred to the Committee on Foreign Affairs

80TH CONGRESS
2D SESSION

H. R. 4840

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1948

Mr. EATON introduced the following bill; which was referred to the Committee on Foreign Affairs

A BILL

To promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Economic Cooperation
4 Act of 1948".

5 SEC. 2. (a) FINDINGS AND DECLARATION OF POLICY.—
6 Recognizing the interdependence of the United States and of
7 Europe, and recognizing that economic disruption remaining

1 in the wake of war is not contained by national frontiers, the
2 Congress finds that the existing economic situation in Europe
3 endangers the general welfare and national interest of the
4 United States and the attainment of the objectives of the
5 United Nations. Unless normal economic conditions and
6 stable international economic relationships are restored in
7 Europe, it will not be possible for the countries of Europe to
8 achieve a working economy independent of abnormal outside
9 assistance, or to maintain free institutions and national inde-
10 pendence. Accordingly, it is declared to be the policy of
11 the United States that assistance be given to those countries
12 of Europe participating in a joint European-recovery pro-
13 gram based on self-help and mutual cooperation.

14 (b) PURPOSES OF ACT.—It is the purpose of this Act
15 to effectuate the policy set forth in subsection (a) of this
16 section by furnishing material and financial assistance to the
17 participating countries in such a manner as to aid them,
18 through their own individual and concerted efforts, to become
19 independent of abnormal outside economic assistance within
20 the period of operations under this Act, by—

21 (1) promoting industrial and agricultural produc-
22 tion in the participating countries;

23 (2) furthering the restoration or maintenance of
24 the soundness of European currencies, budgets, and
25 finances;

(3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

SEC. 3. Any country (including the United Kingdom of Great Britain and Northern Ireland, Eire, Iceland, and any of the zones of occupation of Germany) wholly or partly in Europe, including its colonies and dependencies, is a participating country within the meaning of this Act while it remains an adherent to a joint program for European recovery designed to accomplish the purposes of this Act.

SEC. 4 (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President by and with the advice and consent of the Senate, and who shall receive compensation at the rate of \$20,000 per annum. Except as otherwise provided in this Act, the administration of the provisions of this Act is hereby vested in the Administrator. All those functions of the Administrator which affect the conduct of the foreign policy of the

1 United States shall be performed subject to the direction
2 and control of the Secretary of State.

3 (b) There shall be in the Administration a Deputy
4 Administrator for Economic Cooperation who shall be ap-
5 pointed by the President, by and with the advice and
6 consent of the Senate, and shall receive compensation at
7 the rate of \$17,500 per annum. The Deputy Administrator
8 for Economic Cooperation shall perform such functions as
9 the Administrator shall designate, and shall be Acting Ad-
10 ministrator for Economic Cooperation during the absence
11 or disability of the Administrator or in the event of a
12 vacancy in the office of Administrator.

13 (c) The President is authorized, pending the appoint-
14 ment and qualification of the first Administrator or Deputy
15 Administrator for Economic Cooperation appointed here-
16 under, to provide for the performance of the functions of the
17 Administrator under this Act through such departments,
18 agencies, or establishments of the United States Government
19 as he may direct.

20 (d) Any department, agency, or establishment of the
21 Government (including, whenever used in this Act, any
22 corporation which is an instrumentality of the United States)
23 performing functions under this Act is authorized to employ,
24 for duty within the continental limits of the United States,
25 such personnel as may be necessary to carry out the pro-

visions and purposes of this Act; and funds available pursuant to section 9 of this Act shall be available for personal services in the District of Columbia and elsewhere without regard to section 14 (a) of the Federal Employees Pay Act of 1946 (60 Stat. 219). Personnel, not to exceed sixty, of the Administration may be compensated without regard to the provisions of the Classification Act of 1923, as amended, of whom not more than ten may be compensated at a rate in excess of \$10,000 per annum, but not in excess of \$15,000 per annum. Experts and consultants, as authorized by section 15 of the Act of August 2, 1946 (5 U. S. C. 55a) may be employed by the Administration, and may be compensated at rates for individuals not in excess of \$50 per diem.

(e) The head of any department, agency, or establishment of the Government performing functions under this Act may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out his functions under this Act, and he may delegate to such officers of his department, agency, or establishment as he may designate the authority to perform any of his functions under this Act.

SEC. 5. There shall be a United States Special Representative in Europe who shall (a) be appointed by the President by and with the advice and consent of the Senate,

1 (b) be entitled to receive the same compensation and allow-
2 ances as a chief of mission, class 1, within the meaning of
3 the Act of August 13, 1946 (60 Stat. 999), and (c)
4 have the rank of ambassador extraordinary and plenipo-
5 tentiary. He shall be the chief United States representative
6 to any European organization of participating countries
7 which may be established by the participating countries to
8 further a joint program for European recovery, and shall
9 discharge in Europe such additional responsibilities as may
10 be assigned to him with the approval of the President in
11 furtherance of the purposes of this Act. He may also be
12 designated as the United States representative on the Eco-
13 nomic Commission for Europe.

14 SEC. 6. (a) For the purpose of performing functions
15 under this Act outside the continental limits of the United
16 States, the Secretary of State may (1) appoint or assign
17 persons to any class in the Foreign Service Reserve for the
18 duration of operations under this Act without regard to that
19 provision of the Act of August 13, 1946 (60 Stat. 1009),
20 which limits appointments to periods of not more than four
21 years: *Provided*, That, with respect to the appointment or
22 assignment of persons to perform functions within the re-
23 sponsibility of the Administrator, the Secretary of State
24 shall make such appointments or assignments in consultation
25 with the Administrator; and (2) by regulations prescribed

1 by him, provide for the appointment, for the duration of
2 operations under this Act, of Foreign Service staff officers
3 and employees, and alien clerks and employees. A person,
4 whether or not such person is a war service or temporary
5 employee, thus appointed as staff officer or employee from
6 any Government agency without break in service and with
7 the consent of the head of the agency concerned shall, upon
8 the termination of the appointment as staff officer or em-
9 ployee, be entitled to the same rights as those provided for
10 Foreign Service Reserve officers in section 528 of the Act
11 of August 13, 1946 (60 Stat. 1010).

12 (b) The provisions of the Act of August 13, 1946 (60
13 Stat. 999), shall, except as provided in this section, apply
14 fully to all persons appointed or assigned pursuant to the
15 authority contained in this section.

16 (c) A representative of the Administration, designated
17 by the Administrator, shall be a member of the Board of
18 the Foreign Service, and section 211 (a) of the Foreign
19 Service Act of 1946 (60 Stat. 1001), is hereby amended
20 accordingly.

21 (d) Civilian personnel who are citizens of the United
22 States appointed pursuant to this section to perform functions
23 under this Act shall be appointed subject to investigation by
24 the Federal Bureau of Investigation, provided, however,
25 that they may assume their posts and perform their functions

1 after preliminary investigation and clearance by the Depart-
2 ment of State.

3 SEC. 7. (a) The Administrator may, from time to time,
4 furnish assistance to any participating country by providing
5 for the performance of any of the functions set forth in para-
6 graphs (1) through (5) of this subsection when he deems it
7 to be in furtherance of the purposes of this Act, and upon
8 the terms and conditions set forth in this Act and such addi-
9 tional terms and conditions consistent with the provisions of
10 this Act as he may determine to be necessary and proper—

11 (1) procurement from any source, including Gov-
12 ernment stocks, of any commodity which he determines
13 to be required for the furtherance of the purposes of
14 this Act, and the term “commodity” as used in this Act
15 shall mean any material, article, merchant vessel, supply
16 or goods necessary for the purposes of this Act;

17 (2) processing, storing, transporting, and repairing
18 any commodities, or performing any other services with
19 respect to a participating country which he determines
20 to be required for accomplishing the purposes of this
21 Act;

22 (3) procurement of and furnishing technical in-
23 formation and assistance;

24 (4) chartering any merchant vessel owned by the

1 United States which the United States Maritime Com-
2 mission certifies as excess to its current requirements;

3 (5) transfer of any commodity or service, which
4 transfer shall be signified by delivery of the custody and
5 right of possession and use of such commodity, or other-
6 wise making available any such commodity, or by ren-
7 dering a service, to a participating country or to any
8 agency or organization representing a participating
9 country; provided that merchant vessels, except as pro-
10 vided in subsection (d) of section 8, may not be trans-
11 ferred under authority of this Act otherwise than by
12 charter; and provided further that if a vessel of the
13 United States is chartered under the provisions of this
14 Act its documents as a vessel of the United States shall
15 be surrendered and it shall, during the charter period,
16 be considered as a foreign vessel for the purposes of the
17 navigation and vessel-inspection laws of the United
18 States.

19 (b) The Administrator may provide for the perform-
20 ance of any of the functions described in subsection (a) of
21 this section—

22 (1) by making funds available in the form of ad-
23 vances or reimbursements to any participating country,
24 or to any agency or organization representing a partici-

1 pating country. Expenditures of advances made, or for
2 which reimbursements are made, under authority of this
3 paragraph for commodities or services procured outside
4 the continental limits of the United States may be ac-
5 counted for exclusively on such certification as the Ad-
6 ministrator may prescribe to assure expenditure in fur-
7 therance of the purposes of this Act and such certification
8 shall be binding on the accounting officers of the Gov-
9 ernment;

10 (2) by utilizing the services and facilities of any
11 department, agency, or establishment of the Government
12 as he shall direct, with the consent of the head of such
13 department, agency, or establishment, or, in his discre-
14 tion, by acting in cooperation with the United Nations
15 or with other international organizations or with agencies
16 of the participating countries, and funds allocated pur-
17 suant to this section to any department, agency, or estab-
18 lishment of the Government shall be established in sepa-
19 rate appropriation accounts on the books of the Treasury;

20 (3) by making, under rules and regulations to
21 be prescribed by the Administrator, guaranties to any
22 person of investments in connection with projects ap-
23 proved by the Administrator and the participating coun-
24 try concerned as furthering the purposes of this Act,
25 which guaranties shall terminate not later than fourteen

1 years from the date of enactment of this Act, pro-
2 vided that—

3 (i) the guaranty to any person shall not exceed
4 the amount of dollars invested by such person in
5 the project with the approval thereof by the Admin-
6 istrator and shall be limited to the transfer into
7 United States dollars of other currencies or credits
8 in such currencies received by such person as in-
9 come from the approved investment, as repayment
10 or return thereof, in whole or in part, or as compen-
11 sation for the sale or disposition of all or any part
12 thereof;

13 (ii) the total liabilities assumed under such
14 guaranties shall not exceed 5 per centum of the
15 total funds appropriated for the purposes of this
16 Act:

17 (iii) as used in this paragraph, the term “per-
18 son” means a citizen of the United States or any
19 corporation, partnership, or other association created
20 under the law of the United States or of any State
21 or Territory and substantially beneficially owned
22 by citizens of the United States.

23 (c) (1) The Administrator may provide assistance for
24 any participating country, in the form and under the pro-
25 cedures authorized in subsections (a) and (b), respectively,

1 of this section, through grants or upon payment in cash or
2 on credit terms or on such other terms of payment as he
3 may find appropriate. In determining whether such assist-
4 ance shall be through grants or upon terms of payment, and
5 in determining the terms of payment, he shall act in con-
6 sultation with the National Advisory Council on Interna-
7 tional Advisory Council on International Monetary and
8 Financial Problems, and the determination whether or not
9 a participating country should be required to make payment
10 for any assistance furnished to such country in furtherance
11 of the purposes of this Act, and the terms of such payment,
12 if required, shall depend upon the capacity of such country
13 to make such payment without jeopardizing the accomplish-
14 ment of the purposes of this Act.

15 (2) When it is determined that assistance should be
16 extended under the provisions of this Act on credit terms,
17 the Administrator shall allocate funds for the purpose to the
18 Export-Import Bank of Washington, which shall, notwith-
19 standing the provisions of the Export-Import Bank Act of
20 1945 (59 Stat. 526), as amended, make and administer the
21 credit as directed, and on terms specified, by the Adminis-
22 trator in consultation with the said National Advisory Coun-
23 cil. The Administrator shall make advances to or reimburse
24 the Export-Import Bank of Washington for necessary admin-
25 istrative expenses in connection with such credits. The bank

1 shall deposit into the Treasury of the United States as mis-
2 cellaneous receipts amounts received by the bank in repay-
3 ment of principal and interest of any such credits. Credits
4 made by Export-Import Bank of Washington with funds so
5 allocated to it by the Administrator shall not be considered
6 in determining whether the bank has outstanding at any one
7 time loans and guaranties to the extent of the limitation
8 imposed by section 7 of the Export-Import Bank Act of
9 1945 (59 Stat. 529), as amended.

10 SEC. 8. (a) The Administrator, in the exercise of any
11 authority conferred under section 7 of this Act, may procure
12 (i) commodities owned by any department, agency, or
13 establishment of the Government if the owning agency deter-
14 mines that such commodities are available for such procure-
15 ment, and (ii) services from any department, agency, or
16 establishment of the Government which the owning agency
17 determines to be available for such procurement. The Ad-
18 ministrator shall reimburse or pay, at replacement cost or,
19 if required by law, at actual cost, or at such other price
20 authorized by law agreed by the Administrator and the
21 owning agency, out of funds available for the purposes of
22 this Act, the owning or disposal agency, as the case may
23 be, for such commodities or services. The amount of any
24 reimbursement or payment to an owning agency for com-
25 modities or services so employed shall be credited to current

1 applicable appropriations, funds, or accounts from which
2 there may be procured replacements of similar commodities
3 or such services and facilities; provided that where such
4 appropriations, funds, or accounts are not reimbursable ex-
5 cept by reason of the foregoing provision and when the
6 head of the owning agency determines that replacement of
7 any commodity employed under authority of this section
8 is not necessary, any funds received in payment therefor
9 shall be covered into the Treasury as miscellaneous receipts.

10 (b) Any commodity procured out of funds made avail-
11 able for the purposes of this Act may, in lieu of being
12 transferred to a participating country, be disposed of for
13 any other purpose authorized by law, whenever in the judg-
14 ment of the Administrator the interests of the United States
15 will best be served thereby. Funds realized from such dis-
16 posal shall, upon approval of the Bureau of the Budget,
17 revert to the respective appropriation or appropriations out
18 of which funds were expended for the procurement of such
19 commodity.

20 (c) The Administrator, in furtherance of the purposes
21 of paragraph (5) of subsection (b) of section 10, and in
22 agreement with a participating country, may promote, by
23 means of funds made available for the purposes of this Act,
24 an increase in the production in such participating country
25 of materials which are required by the United States as a

1 result of deficiencies or potential deficiencies in the natural
2 resources of the United States.

3 (d) Whenever the Administrator shall determine that
4 sale to a participating country, or to a citizen thereof, of
5 any merchant vessel would be in furtherance of the purposes
6 of this Act, and whenever the President shall so direct,
7 the United States Maritime Commission shall effect such
8 sale at the purchase price and under the terms specified in
9 the Merchant Ship Sales Act of 1946 (60 Stat. 41), as
10 amended, or other applicable law, and upon such additional
11 terms and conditions as the Administrator may specify.

12 SEC. 9. (a) Notwithstanding the provisions of any other
13 law the Reconstruction Finance Corporation is authorized
14 and directed, until such time as an appropriation shall be
15 made pursuant to subsection (c) of this section, to make
16 advances not to exceed in the aggregate \$500,000,000 to
17 carry out the provisions of this Act, in such manner, at such
18 time and in such amounts as the President shall determine,
19 and no interest shall be charged on advances made by the
20 Treasury to the Reconstruction Finance Corporation for this
21 purpose. The Reconstruction Finance Corporation shall be
22 repaid without interest from appropriations authorized under
23 this Act for advances made by it hereunder.

24 (b) Such part as the President may determine of the
25 unobligated and unexpended balances of appropriations or

1 other funds available for the purposes of the Foreign Aid
2 Act of 1947 shall be available for the purpose of carrying
3 out the purposes of this Act.

4 (c) There are hereby authorized to be appropriated to
5 the President from time to time, out of any money in the
6 Treasury not otherwise appropriated, such amounts as may
7 be necessary to carry out the provisions and accomplish the
8 purposes of this Act: *Provided, however,* That for carrying
9 out the provisions and accomplishing the purposes of this
10 Act from the date of enactment of this Act through June 30,
11 1949, there are hereby authorized to be so appropriated
12 not to exceed \$6,800,000,000.

13 (d) Funds made available for the purposes of this Act
14 shall be available for incurring and defraying all necessary
15 expenses incident to carrying out the provisions of this Act,
16 including accessorial and administrative expenses and ex-
17 penses for compensation, allowances and travel of personnel,
18 including Foreign Service personnel whose services are
19 utilized primarily for the purposes of this Act, and, without
20 regard to the provisions of any other law, for motor vehicles,
21 typewriters, and printing and binding.

22 (e) The unexpended portions of any deposits which
23 may have been made by any participating country pursuant
24 to section 6 of the joint resolution providing for relief as-
25 sistance to the people of countries devastated by war (Public

1 Law 84, Eightieth Congress) and section 5 (b) of the
2 Foreign Aid Act of 1947 (Public Law 389, Eightieth Con-
3 gress) may be merged with the deposits to be made by such
4 participating country in accordance with section 10 (b) (6)
5 of this Act, and shall be held or used under the same terms
6 and conditions as are provided in section 10 (b) (6) of
7 this Act.

8 SEC. 10. (a) The Secretary of State, after consultation
9 with the Administrator, is authorized to conclude, with in-
10 dividual participating countries or any number of such
11 countries or with an organization representing any such
12 countries, agreements in furtherance of the purposes of this
13 Act.

14 (b) As a condition precedent to the performance for
15 any participating country of any of the functions authorized
16 under this Act, such participating country shall conclude an
17 agreement with the United States, which shall signify the
18 adherence of such country to the purposes of this Act and,
19 where applicable, shall make appropriate provision for—

20 (1) promoting industrial and agricultural produc-
21 tion in order to enable the participating country to be-
22 come independent of abnormal outside economic assist-
23 ance;

24 (2) taking financial and monetary measures neces-
25 sary to stabilize its currency, establish or maintain a

1 proper rate of exchange, and generally to restore or
2 maintain confidence in its monetary system;

3 (3) cooperating with other participating countries
4 in facilitating and stimulating an increasing interchange
5 of goods and services among the participating countries
6 and with other countries and cooperating to reduce
7 barriers to trade among themselves and with other
8 countries;

9 (4) making efficient use, within the framework of
10 a joint program for European recovery, of the resources
11 of such participating country, including any com-
12 modities, facilities, or services furnished under this Act;

13 (5) facilitating the sale to the United States for
14 stock-piling purposes, for such period of time as may be
15 agreed to and upon reasonable terms and in reasonable
16 quantities, of materials which are required by the United
17 States as a result of deficiencies or potential deficiencies
18 in its own natural resources, and which may be available
19 in such participating country after due regard for reason-
20 able requirements for domestic use and commercial
21 export of such country;

22 (6) placing in a special account a deposit in the
23 currency of such country, in commensurate amounts and
24 under such terms and conditions as may be agreed to
25 between such country and the Government of the United

1 States, when any commodity or service is made avail-
2 able through any means authorized under this Act, and
3 is not furnished to the participating country on terms of
4 payment. Such special account, together with the unex-
5 pended portions of any deposits which may have been
6 made by such country pursuant to section 6 of the joint
7 resolution providing for relief assistance to the people
8 of countries devastated by war (Public Law 84, Eighti-
9 eth Congress) and section 5 (b) of the Foreign Aid
10 Act of 1947, shall be held or used only for such purposes
11 as may be agreed to between such country and the Gov-
12 ernment of the United States;

13 (7) publishing in such country and transmitting to
14 the United States, not less frequently than every calen-
15 dar quarter after the date of the agreement, of full
16 statements of operations under the agreement, including
17 a report of the use of funds, commodities and services
18 received under this Act;

19 (8) furnishing promptly, upon request of the
20 United States, any relevant information which would be
21 of assistance to the United States in determining the
22 nature and scope of future operations under this Act.

23 (c) Notwithstanding the provision of subsection (b) of
24 this section, the Administrator, during the three months after
25 the date of enactment of this Act, may perform with respect

1 to any participating country any of the functions authorized
2 under this Act which he may determine to be essential in
3 furtherance of the purposes of this Act, provided that such
4 country (i) has signified its adherence to the purposes of
5 this Act and its intention to conclude an agreement pursuant
6 to subsection (b) of this section, and (ii) he finds that such
7 country is complying with the applicable provisions of sub-
8 section (b) of this section.

9 SEC. 11. When the President determines it to be in
10 furtherance of the purposes of this Act, the functions au-
11 thorized under this Act may be performed without regard
12 to such provisions of law regulating the making, perform-
13 ance, amendment, or modification of contracts and the ex-
14 penditure of Government funds as the President may specify.

15 SEC. 12. (a) The President is authorized to request the
16 cooperation of or the use of the services and facilities of
17 the United Nations, its organs and specialized agencies or
18 other international organizations, in carrying out the pur-
19 poses of this Act, and may make payments, by advance-
20 ments or reimbursements, for such purpose, out of funds
21 made available for the purposes of this Act, as may be
22 necessary therefor to the extent that special compensation
23 is usually required for such services and facilities.

24 (b) The President shall transmit to the Secretary Gen-

1 eral of the United Nations copies of reports to Congress on
2 the operations conducted under this Act.

3 (c) Any agreements concluded between the United
4 States and participating countries or groups of such countries
5 in implementation of the purposes of this Act shall be regis-
6 tered with the United Nations if such registration is required
7 by the Charter of the United Nations.

8 SEC. 13. After June 30, 1952, or after the passage of
9 a concurrent resolution by the two Houses before June 30,
10 1952, which declares that the powers conferred by or pur-
11 suant to section 7 of this Act are no longer necessary for
12 the purposes of this Act, the Administrator shall not exercise
13 any of the powers conferred by or pursuant to such section
14 7, except that through June 30, 1955, any of such powers
15 may be exercised to the extent necessary to carry out an
16 agreement with a participating country concluded before
17 July 1, 1952, or before the passage of such concurrent
18 resolution, whichever is the earlier, and funds made available
19 for the purpose of this Act required to carry out any such
20 agreement shall be deemed obligated as of the date of such
21 agreement, and shall be available for expenditure to carry
22 out such obligations through June 30, 1957, and funds made
23 available for the purpose of this Act shall be available for
24 the expenses of liquidating operations under this Act for

1 such time as the Congress from time to time, in the Acts
2 appropriating such funds, may authorize.

3 SEC. 14. The President from time to time, but not less
4 frequently than once every calendar quarter through June
5 30, 1952, and once every year thereafter until all funds
6 made available for the purposes of this Act have been
7 expended, shall transmit to the Congress a report of opera-
8 tions under this Act. Reports provided for under this section
9 shall be transmitted to the Secretary of the Senate or the
10 Clerk of the House of Representatives, as the case may be,
11 if the Senate or the House of Representatives, as the case
12 may be, is not in session.

13 SEC. 15. If any provision of this Act or the application
14 of such provision to any circumstances or persons shall be
15 held invalid, the validity of the remainder of the Act and
16 the applicability of such provision to other circumstances or
17 persons shall not be affected thereby.

CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued February 24, 1948
For actions of Feb. 20 & 23, 1948
80th-2nd, Nos. 32 & 33

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HIGHLIGHTS: Senate committee reported bill transferring Muscatine alcohol plant to USDA. Senate committee reported bill authorizing grain allocation for alcohol. Sen. Aiken introduced and discussed bill authorizing use of Sec. 32 funds for exportation of surplus commodities under foreign-aid program. Sen. Capper inserted Secretary's address on world food and market situation. Both Houses received President's housing and rent-control message. Sens. Vandenberg and Connally introduced foreign-aid bill. Reps. Rankin and Harless introduced bills to provide additional REA funds.

SENATE - FEBRUARY 20

- 1. ALCOHOL PLANTS.** The Agriculture and Forestry Committee reported without amendments, S. 2142, to authorize transfer of the Government-owned alcohol plant at Muscatine, Iowa, to the USDA (S.Rept. 898) (p. 1495).
- 2. GRAIN ALLOCATIONS.** The Banking and Currency Committee reported without amendment S.J.Res. 186, to authorize allocation and inventory control of grain for the production of ethyl alcohol (S.Rept. 900) (p. 1495).
The "Daily Digest" states that the "proposed legislation would provide for allocation of not less than 2½ million bushels per month; the formula would be determined by the Department of Agriculture; would be made effective retroactive to October 26, 1947; a 6,000-bushel minimum would be allowed to each plant, with no part of any allotment transferable; and if corn prices reach support price level for a period of 30 days, the whole allocation program would be terminated." (pp. D139-40.)
- 3. NATIONAL FORESTS.** The Agriculture and Forestry Committee reported without amendment H.R. 1809, to facilitate the use and occupancy of national-forest lands (S.Rept. 899) (p. 1495).
Sen. Kilgore, W.Va., urged protection of our national forest resources and spoke of the importance of such resources (pp. 1527-9).

4. SUGAR. Received the international agreement regarding regulation and production of sugar and removed the injunction of secrecy from the protocol (pp. 1506-7).
5. FOREIGN AID. Received a National Society of Professional Engineers' petition urging that professional engineers be on the board to administer the ERP (p. 1494).
6. NATIONAL DEFENSE. Received a report of the investigation of the national defense program on renegotiation (S. Rept. 440, pt. 2) (p. 1495-1500). Sen. Brewster, Maine, and others discussed the report (pp. 1495-7).
7. RECESSED until Mon., Feb. 23 (p. 1531).

BILLS INTRODUCED - FEBRUARY 20

8. SECTION 32 FUNDS; FOREIGN AID. S.J. Res. 187, by Sen. Aiken, Vt., authorizing the Secretary of Agriculture to utilize Sec. 32 funds to encourage the exportation of surplus agricultural commodities and products thereof under foreign-aid programs. To Agriculture and Forestry Committee. (p. 1501.) Remarks of author (pp. 1502-3).
9. HEALTH; FEDERAL AID. S. 2189, by Sen. Saltonstall, Mass. (for himself and Sen. Cordon, Ore., and Sen. Hill, Ala.) to assist the States in the development and maintenance of local public-health units. To Education and Labor Committee. (p. 1501.) Remarks of author (p. 1502).
10. RUBBER. S. 2187, by Sen. Bricker, Ohio (for himself and Sen. Cain, Wash., and Sen. Robertson, Va.), to strengthen national security and the common defense by providing for the maintenance of an adequate domestic rubber producing industry. To Banking and Currency Committee. (p. 1501.)

ITEMS IN APPENDIX - FEBRUARY 20

11. FOOD SUPPLIES; MARKETING. Sen. Capper, Kans., inserted Secretary Anderson's National Press Club address, "Taking Stock of the World Food and Market Situation" (pp. A1027-9).
12. COMMODITY EXCHANGES. Sen. O'Daniel, Tex., inserted Robert M. Harriss' telegram opposing Government control of margin requirements on commodity exchanges (pp. A1035-6).
13. FOREIGN AID. Sen. Capehart, Ind., inserted a Marion (Ind.) Chronicle editorial favoring Sen. Capehart's proposal for a joint European recovery program (p. A1033).
14. RECLAMATION. Sen. Overton, La., inserted Sen. McClellan's (Ark.) recent address before the Mississippi Valley Assn. urging "development of our great river systems" (pp. A1017-9).

SENATE - FEBRUARY 23

15. HOUSING. Both Houses received the President's message recommending legislation: "(1) To continue and strengthen rent control; (2) to stimulate a higher volume of home building on a sustained basis, with special emphasis on rental housing, and with proper safeguards against possible inflationary effects; (3) to reduce building costs; (4) to assist communities in providing low-rent housing for families in the lowest-income groups; (5) to aid cities in rebuilding and modernizing run-down areas (H. Doc. 547). To Banking and Currency Committees. (pp.

Comparison of profits before and after renegotiation on all renegotiable sales involving refunds¹ through Feb. 7, 1947

[000 omitted]

Fiscal years ending—	Number of cases	Before adjustment			After adjustment		
		Fixed price net sales	Fixed price basic profit (before taxes)	Per-cent of sales	Fixed price net sales	Fixed price basic profit (before taxes)	Per-cent of sales
1942.....	5,294	\$26,101,326	\$5,573,759	21.4	\$23,070,982	\$2,565,701	11.1
1943.....	4,870	39,871,011	7,504,386	18.8	36,285,979	3,870,529	10.7
1944.....	3,805	33,709,029	5,529,057	16.4	31,664,858	3,397,458	10.7
1945.....	1,360	5,367,492	862,208	16.1	5,054,830	524,611	10.4
1946.....	52	120,920	17,384	14.4	115,758	11,753	10.2
Total.....	15,381	105,169,778	19,486,794	18.5	96,201,407	10,370,052	10.8

¹ Figures do not include CPFF contracts, or construction contracts renegotiated on a completed contract basis. Neither do they include any renegotiations of brokers, agents, or sales engineers.

Attention is directed to the fact that 11,458 clearance cases, involving renegotiable sales of \$54,970,865,000 and basic profits of \$4,021,975,000 (7.3%) have been eliminated from this tabulation. Also 56,618 cancellations have been eliminated since it is not possible to obtain statistical data showing sales and profits on all canceled cases.

REPORT ON DISPOSITION OF EXECUTIVE PAPERS

Mr. LANGER, from the Joint Select Committee on the Disposition of Executive Papers, to which was referred for examination and recommendation a list of records transmitted to the Senate by the Archivist of the United States that appeared to have no permanent value or historical interest, submitted a report thereon pursuant to law.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, February 20, 1948, he presented to the President of the United States the following enrolled bills:

- S. 257. An act for the relief of Yoneo Sakai;
- S. 305. An act for the relief of Mrs. Hilda Margaret McGrew;
- S. 310. An act authorizing the issuance of a patent in fee to Jonah Williams;
- S. 311. An act authorizing the issuance of a patent in fee to Charles Ghost Bear, Sr.;
- S. 312. An act authorizing the issuance of a patent in fee to Charles Kills the Enemy;
- S. 313. An act authorizing the issuance of a patent in fee to Calvin W. Clincher;
- S. 409. An act for the relief of Milan Jandrich;
- S. 457. An act for the relief of Anna Kong Mei;
- S. 499. An act authorizing the issuance of a patent in fee to Mrs. Bessie Two Elk-Poor Bear;
- S. 522. An act to authorize the sale of certain lands of the L'Anse Band of Chippewa Indians, Michigan;
- S. 542. An act authorizing the issuance of a patent in fee to Mrs. Ella White Bull;
- S. 1133. An act providing for the per capita payment of certain moneys appropriated in settlement of certain claims of the Indians of the Fort Berthold Indian Reservation in North Dakota;
- S. 1454. An act to amend the Public Health Service Act in regard to certain matters of personnel and administration, and for other purposes;
- S. 1485. An act to authorize the Secretary of the Interior to dispose of certain lands heretofore acquired for the Albuquerque Indian School, New Mexico;
- S. 1507. An act authorizing the sale of undisposed of lots in Michel addition to the town of Polson, Mont.; and
- S. 1591. An act to transfer certain transmission lines, appurtenances, and equipment in connection with the sale and disposition of electric energy generated at the Fort Peck project, Montana, and for other purposes.

BILLS AND JOINT RESOLUTIONS INTRODUCED

Bills and joint resolutions were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BUSHFIELD:

S. 2183. A bill to authorize and direct the Secretary of the Interior to issue to Leonard G. Jones a patent in fee to certain land;

S. 2184. A bill to authorize and direct the Secretary of the Interior to issue to John DeMarrias a patent in fee to certain land; and

S. 2185. A bill to authorize and direct the Secretary of the Interior to issue to Chauncey N. Fire a patent in fee to certain land; to the Committee on Interior and Insular Affairs.

By Mr. TOBEY (by request):

S. 2186. A bill to amend section 5 of the act entitled "An act to amend the laws relating to navigation, and for other purposes"; to the Committee on Interstate and Foreign Commerce.

By Mr. BRICKER (for himself, Mr. CAIN, and Mr. ROBERTSON of Virginia):

S. 2187. A bill to strengthen national security and the common defense by providing for the maintenance of an adequate domestic rubber-producing industry, and for other purposes; to the Committee on Banking and Currency.

(Mr. BROOKS introduced Senate bill 2188, for the relief of Col. Wlodzimierz Onacewicz, which was referred to the Committee on the Judiciary, and appears under a separate heading.)

(Mr. SALTONSTALL (for himself, Mr. CORDON, and Mr. HILL) introduced Senate bill 2189, to assist the States in the development and maintenance of local public-health units, and for other purposes, which was referred to the Committee on Labor and Public Welfare, and appears under a separate heading.)

By Mr. O'CONOR:

S. 2190. A bill to authorize the Secretary of the Army to furnish headstones to mark the honorary burial places of certain deceased members of the armed services and to authorize the burial in national cemeteries of the widows of certain deceased members of the armed services; to the Committee on Armed Services.

By Mr. KILGORE:

S. 2191. A bill for the relief of Louis Bernard Lapides; to the Committee on the Judiciary.

By Mr. MOORE:

S. 2192. A bill to amend the Interstate Commerce Act so as to permit the issuance of free passes to agents of carriers subject

to part I of such act; to the Committee on Interstate and Foreign Commerce.

By Mr. BREWSTER (for himself, Mr. DOWNEY, Mr. MARTIN, Mr. MYERS, and Mr. SALTONSTALL):

S. 2193. A bill to provide for nautical education in the Territories, to facilitate nautical education in the States and Territories, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. JOHNSON of Colorado:

S. 2194. A bill authorizing the Alien Property Custodian to return certain real property and water rights to Ernestine Block Grigsby and Josephine Block Miles; to the Committee on the Judiciary.

By Mr. BUCK:

S. 2195. A bill to extend for the period of one year the provisions of the District of Columbia Emergency Rent Act, approved December 2, 1941, as amended; to the Committee on the District of Columbia.

By Mr. MARTIN:

S. J. Res. 185. Joint resolution to authorize the coinage of 50-cent pieces in commemoration of the fiftieth anniversary of the termination of the war with Spain; to the Committee on Banking and Currency.

(Mr. FLANDERS, from the Committee on Banking and Currency, reported an original joint resolution (S. J. Res. 186) to authorize allocation and inventory control of grain for the production of ethyl alcohol, to conserve grain in aid of the national defense, and in furtherance of stabilization of the national economy, which was ordered to be placed on the calendar, and appears under a separate heading.)

(Mr. AIKEN introduced Senate Joint Resolution 187, authorizing the Secretary of Agriculture to utilize section 32 funds to encourage the exportation of surplus agricultural commodities and products thereof under foreign-aid programs, which was referred to the Committee on Agriculture and Forestry, and appears under a separate heading.)

(Mr. KILGORE introduced Senate Joint Resolution 188, authorizing the President to issue a proclamation designating October 31 of each year as Youth Honor Day, which was referred to the Committee on the Judiciary, and appears under a separate heading.)

COL. WLODZIMIERZ ONACEWICZ

Mr. BROOKS. Mr. President, I ask unanimous consent to introduce for appropriate reference a bill to facilitate the extension of citizenship to a distinguished son of an unhappy country, who has rendered such valuable service to the land which may soon adopt him that he has been decorated with the Legion of Merit, officer class. I refer to Col. W. Onacewicz, former military attaché of the embassy of Poland when that unfortunate nation was independent.

All freedom-loving Americans look forward to the day when the red hand of communism will be lifted from Poland and that nation can once again take her place in the family of nations as a free and independent nation. The present regime in Poland is not truly representative of a people who contributed to the epic of American freedom, but is a foreign clique foisted upon a people divided and decimated by Nazi and Communist aggression, but whose love of liberty still lives. False elections have deprived Poland of independence, but I am confident that such deprivation is temporary, another era of brutal darkness, and that Poland will have a new birth of freedom under which she will

continue to pour out cultural and economic contributions to the benefit of mankind.

I request consent to have printed in the *RECORD* a brief résumé of the colonel's career, which details his services in behalf of this country, and in fighting in three wars for independence for his own land, now under Red Fascist rule.

The *PRESIDENT* pro tempore. Without objection, the bill will be received and appropriately referred, and, without objection, the résumé presented by the Senator from Illinois will be printed in the *RECORD*.

There being no objection, the bill (S. 2188) for the relief of Col. Włodzimierz Onacewicz, introduced by Mr. *BROOKS*, was received, read twice by its title, and referred to the Committee on the Judiciary.

The résumé presented by Mr. *BROOKS* was ordered to be printed in the *RECORD*, as follows:

MILITARY SERVICE OF WŁODZIMIERZ ONACEWICZ,
COLONEL, POLISH ARMY, RETIRED

Col. W. Onacewicz, veteran of three wars, fought in the First World War with the Russian Army as a junior horse artillery officer. After the Bolshevik revolution he escaped to Poland.

In 1920, when the Red armies invaded Poland, he was in command of a Polish volunteer field artillery battery.

In 1923 he graduated from the War College and General Staff School of Warsaw, became its professor and taught at the war college from 1923 to 1929. After that he served in different capacities in the general staff and with the troops.

At the outbreak of the Second World War, on September 1, 1939, he was on the staff of the Minister of War and was appointed liaison officer to the headquarters of the commander in chief.

September 17, 1939, when the Russian armies invaded Poland and were only a few miles from the headquarters of the Polish high command, he was ordered to cross the border into Rumania and proceed to France, where a new Polish army was to be organized in order to continue the fight on the Allied side.

In Rumania he was interned, as all Polish soldiers, but fled from the internment camp and reached Paris in November 1939. He was appointed by the new commander in chief, General Sikorski, to command the First Polish Artillery Regiment in France, which he organized and trained in the first months of 1940.

He fought in the French campaign of 1940 as commander of the First Artillery Regiment, First Polish Grenadier Division, first in the battle of the Maginot line, and then in the general retreat of the French Army. During the last 8 days of the French campaign, the First Polish Grenadier Division lost in heavy fighting 45 percent of its men in killed and wounded.

When the French armies capitulated on June 21, 1940, the Polish divisions refused to surrender with the French. On orders of the general commanding the First Polish Grenadier Division, Colonel Onacewicz broke his regiment in small groups and directed them to steal at night through German lines encircling French armies and to try to reach the south of France. He himself took nine men from his regiment and succeeded in crossing with them the German lines in the Vosges mountains at night. Then they walked 300 miles in 3 weeks through the German armies, and, after many adventures, among them capture of himself and two of his companions by the Germans, the whole group, though dispersed, reached unoccupied

France. Most of the Polish soldiers escaped German captivity.

In August 1940 he reached Great Britain and joined again the Polish Army. For his command in the French campaign he was awarded the Order of Virtuti Militari (Polish equivalent of the Congressional Medal) and promoted to full colonel. He has been appointed chief of the military cabinet of the commander in chief, General Sikorski, in London and served in this capacity until April 1941.

In April 1941 he was sent to Washington as military attaché, to represent the Polish armed forces in the United States and later to organize collaboration between the Polish and the United States Army. For his war work in Washington he has been awarded by the United States Government the Legion of Merit, degree of officer, with the enclosed citation.

In July 1945, after the establishment in Warsaw of a Soviet puppet government, he resigned from the Embassy, retired from the Polish Army, and asked for the United States immigration visa, which he was granted September 17, 1945. Actually, he is working with the Department of the Army, Army Map Service.

Besides the Legion of Merit and the Polish Virtuti Militari, he holds the French Legion of Honor and Military Cross, 1940, and other Polish and foreign decorations.

He has a fluent knowledge of English and four European tongues and is a graduate of St. Petersburg University, Russia, in Far Eastern languages.

DEVELOPMENT AND MAINTENANCE OF LOCAL PUBLIC HEALTH UNITS

Mr. *SALTONSTALL*. Mr. President, on my own behalf, and on behalf of the Senator from Oregon [Mr. *CORDON*] and the Senator from Alabama [Mr. *HILL*], I ask unanimous consent to introduce for appropriate reference a bill to assist the States in the development and maintenance of local public health units, and for other purposes.

The purpose of the bill is to have the Federal Government assist States and localities in providing better public health services. At present less than 10,000,000 of our total population live in areas served by local units which meet basic requirements of public health standards, while more than 40,000,000 persons in the United States live in areas not served by any local public health units. I believe this fact alone calls for careful consideration by Congress.

This bill has been favorably acted upon by the National Congress of Parents and Teachers. It has been approved by the Association of State and Territorial Health Officers. The president of this association is Dr. Vlado A. Getting, Commissioner of Public Health of the Commonwealth of Massachusetts. In principle, the bill has been approved by some 65 representatives of national organizations acting in their individual capacities. These individuals, naturally, cannot commit their organizations.

We are introducing the bill at the present time because there are a number of bills concerning health pending before the Committee on Labor and Public Welfare. This bill approaches the health problem from a somewhat different angle from that of bills now under consideration. It represents an effort on the part of the Federal Government to cooperate with States in improving the health of our citizens. Fundamentally, it is

cheaper, in the long run, to keep people healthy than to make sick people well.

In introducing the bill I wish to make it perfectly clear that I am opposed to the socialization of medicine. I am not in favor of interfering with the freedom of action of individual doctors. I am not specifically in favor of all the details contained in this bill. We all know of the high percentage of our young men who were rejected by the Army for physical reasons during both world wars. The general subject of health has been brought emphatically to our attention because of the war and because of our positive knowledge that general conditions of health in our country can be vastly improved. For these reasons we feel that Congress, before it reaches its conclusions as to what is the best course to take on this important problem, should have all points of view before it for consideration.

It is with these thoughts in mind, and without specific endorsement by us in detail of the provisions this bill contains, that I now ask, at the request of the National Association of Parents and Teachers, unanimous consent to introduce it.

There being no objection, the bill (S. 2189) to assist the States in the development and maintenance of local public health units, and for other purposes, introduced by Mr. *SALTONSTALL* (for himself, Mr. *CORDON*, and Mr. *HILL*), was received, read twice by its title, and referred to the Committee on Labor and Public Welfare.

EXPORTATION OF SURPLUS AGRICULTURAL COMMODITIES UNDER FOREIGN-AID PROGRAM

Mr. *AIKEN*. Mr. President, I ask unanimous consent to introduce for appropriate reference a joint resolution which would enable the Secretary of Agriculture to encourage the exportation of agricultural commodities from the fund originally designed by the Congress for that purpose; that is, section 32, Public Law 320, Seventy-fourth Congress, as amended.

Surplus perishable agricultural commodities, such as potatoes, dried eggs, citrus, deciduous fruit—fresh and dried—are in abundant supply today, and the Department of Agriculture has neither sufficient section 32 funds nor sufficient authority under the Foreign Aid Act of 1947 to dispose of these commodities to the best advantage of the American farmer and the United States Government.

The Foreign Aid Act of 1947 provides that commodities acquired by any agency of the Government under a price-support program shall be utilized under certain conditions in providing assistance to foreign countries, and such commodities may be disposed of at the domestic market price of a quantity of wheat having a caloric value equal to that of the quantity of the commodity so disposed of. The Third Supplemental Appropriation Act of 1948—Public Law 393, Eightieth Congress, approved December 23, 1947—provides that losses incurred by agencies of the Government through the sales of commodities in accordance with the terms of the Foreign Aid Act of 1947 shall not exceed \$57,500,000. These funds are

fully committed at the present time. Additional perishable agricultural commodities are in abundant domestic supply and should be diverted from normal channels of trade into either foreign outlets or domestic outlets, whichever appears to be more advantageous. This resolution will have the effect of making an additional \$40,000,000 available to the Department of Agriculture, any part of which sum, if used to dispose of agricultural commodities in foreign outlets, will have to be at least matched out of other funds available for foreign assistance. It is believed that these additional section 32 funds will be adequate for the remainder of the 1948 fiscal year for disposing of commodities for which there is an urgent need for an outlet at this time. These funds may also be used for domestic distribution of commodities if such commodities can be used in a more timely and effective manner in domestic outlets. Since the \$57,500,000 is exhausted, and the Commodity Credit Corporation is not authorized to dispose of price-support inventories in domestic channels of trade for food purposes at less than parity—and unless there is danger of deterioration, and Commodity Credit Corporation could not, in any event, as a practical matter, sell below its support price, which in most instances is 90 percent of parity—the Department of Agriculture is for practical purposes blocked from disposing of food for human consumption. Unless domestic requirements develop which enables disposition through normal channels of trade, without these additional funds the Department will be forced to divert such surplus food as potatoes to feed or alcohol. The Department should not be forced to follow this policy when food is so urgently needed throughout the world.

Farmers should be given this assistance in shifting from the present high to a more normal level of production. Favorable action on this measure will also facilitate the foreign-aid program while retaining for Agriculture a means of properly adjusting our agricultural economy.

There being no objection, the joint resolution (S. J. Res. 187) authorizing the Secretary of Agriculture to utilize section 32 funds to encourage the exportation of surplus agricultural commodities and products thereof under foreign-aid programs, introduced by Mr. AIKEN, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

YOUTH HONOR DAY

Mr. KILGORE. Mr. President, I ask unanimous consent to introduce for appropriate reference a joint resolution authorizing the President to issue a proclamation to designate October 31 of each year Youth Honor Day.

I merely wish to say that the introduction of this joint resolution—and I hope it may be enacted—is based on experiments which have been carried on in various States. It has been found by civic clubs and fraternal orders in a number of cities that on Halloween, for instance, property has been damaged and similar things have happened, which could be

avoided if youth were put on their honor, and were shown how to observe Halloween without destroying property.

There being no objection, the joint resolution (S. J. Res. 188) authorizing the President to issue a proclamation designating October 31 of each year as Youth Honor Day, introduced by Mr. KILGORE, was received, read twice by its title, and referred to the Committee on the Judiciary.

EXTENSION OF RENT CONTROL—AMENDMENTS

Mr. McCARTHY and Mr. CAIN each submitted two amendments intended to be proposed by them, respectively, to the bill (S. 2182) to extend certain provisions of the Housing and Rent Act of 1947, to provide for the termination of controls on maximum rents in areas and on housing accommodations where conditions justifying such controls no longer exist, and for other purposes, which were severally ordered to lie on the table and to be printed.

Mr. IVES (for himself and Mr. BALDWIN) submitted amendments intended to be proposed by them, jointly, to Senate bill 2182, supra, which were ordered to lie on the table and to be printed.

Mr. CAPEHART submitted amendments intended to be proposed by him to the bill (S. 2182) supra, which were ordered to lie on the table and to be printed.

ST. LAWRENCE SEAWAY—AMENDMENTS

Mr. SALTONSTALL (for Mr. BRIDGES) submitted an amendment intended to be proposed by Mr. BRIDGES to the joint resolution (S. J. Res. 111) approving the agreement between the United States and Canada relating to the Great Lakes-St. Lawrence Basin with the exception of certain provisions thereof; expressing the sense of the Congress with respect to the negotiation of certain treaties; providing for making the St. Lawrence seaway self-liquidating; and for other purposes, which was ordered to lie on the table and to be printed.

Mr. BALL submitted an amendment intended to be proposed by him to Senate Joint Resolution 111, supra, which was ordered to lie on the table and to be printed.

REDUCTION OF INDIVIDUAL INCOME TAXES—AMENDMENT

Mr. LODGE. Mr. President, I ask unanimous consent to submit for appropriate reference an amendment intended to be proposed by me to the bill (H. R. 4790) to reduce individual income-tax payments, and for other purposes, and I request that an explanatory statement regarding the amendment prepared by me may be printed in the RECORD.

The PRESIDENT pro tempore. Without objection, the amendment will be received and referred to the Committee on Finance, and without objection, the explanatory statement will be printed in the RECORD.

The explanatory statement presented by Mr. LODGE was ordered to be printed in the RECORD, as follows:

Senator H. C. LODGE, JR., Republican, Massachusetts, introduced in the Senate today an amendment to H. R. 4790, the pending

tax-reduction bill. LODGE made the following statement regarding this amendment:

"There is considerable and justifiable complaint about certain so-called 'nonresident' aliens who have come to this country and are making large amounts of money and big profits in capital gains without paying any Federal income tax on these transactions. To permit such a practice to continue is to discriminate against American citizens who are required to pay income taxes on their capital gains.

"This discrimination seems to me of particular importance today as we are about to commence consideration of the European recovery program. It is both unreasonable and unjust that a small, selfish group of Europeans should be permitted to escape their fair share of the tax burden by a loophole in the tax laws while the everyday people of America are being called on to aid Europe.

"The amendment I have introduced to the tax-reduction bill is an effort to remove this discrimination by considering a nonresident alien individual to be engaged in trade or business in the United States if he is physically present in this country for a period or periods of time aggregating a total of 90 days or more and if he effects transactions consummated in the United States in taxable years after December 31, 1947.

"This amendment is designed to supplement the proposal which I made and which has been accepted by the Foreign Relations Committee providing that the countries participating in the Marshall plan must make efficient and practical use of their resources, including the location and control of assets of their citizens which are located in this country.

"The combination of these two provisions will tend to insure that the burden of the Marshall plan is fairly distributed, both here and abroad, and that the well-to-do European does his part."

INVESTIGATION OF SOCIAL SECURITY PROGRAM—INCREASE IN LIMIT OF EXPENDITURES

Mr. MILLIKIN submitted the following resolution (S. Res. 202), which was referred to the Committee on Finance:

Resolved, That the limit of expenditures authorized under Senate Resolution 141, Eightieth Congress, agreed to July 23, 1947 (authorizing an investigation by the Committee on Finance of old-age and survivors insurance and other aspects of the social-security program), is hereby increased by \$25,000.

EXTENSION OF TIME FOR FILING REPORT ON INVESTIGATION OF OPERATIONS OF RFC

Mr. BUCK submitted the following resolution (S. Res. 203), which was referred to the Committee on Banking and Currency:

Resolved, That section 2 of Senate Resolution 132, Eightieth Congress, agreed to July 23, 1947, to investigate the operations of the Reconstruction Finance Corporation and its subsidiaries, is amended by striking out "March 1, 1948" and inserting in lieu thereof "April 1, 1948."

HEARING BY SUBCOMMITTEE ON EDUCATION OF COMMITTEE ON LABOR AND PUBLIC WELFARE

Mr. IVES. Mr. President, I ask unanimous consent that the subcommittee on education of the Committee on Labor and Public Welfare be permitted to sit throughout the day for the purpose of holding a hearing on Senate bill 1390.

The PRESIDENT pro tempore. Without objection, the order is made.

**ADDRESS BY SENATOR MCCLELLAN
BEFORE THE MISSISSIPPI VALLEY
ASSOCIATION**

[Mr. OVERTON asked and obtained leave to have printed in the RECORD an address delivered by Senator McClellan at the annual dinner of the Mississippi Valley Association at St. Louis, Mo., on January 23, 1948, which appears in the Appendix.]

**GEORGIA, AN ADVENTURE IN FREEDOM—
ADDRESS BY SENATOR GEORGE**

[Mr. RUSSELL asked and obtained leave to have printed in the RECORD an address delivered by Senator George at the Library of Congress, Washington, D. C., February 14, 1948, on opening the exhibit commemorating the two hundred and fifteenth anniversary of the founding of the Georgia Colony, which appears in the Appendix.]

LINCOLN DAY ADDRESS BY SENATOR THYE

[Mr. DWORSHAK asked and obtained leave to have printed in the RECORD a Lincoln Day address delivered by Senator Thye at Boise, Idaho, on February 14, 1948, which appears in the Appendix.]

**LINCOLN DAY ADDRESS BY SENATOR
FLANDERS**

[Mr. FERGUSON asked and obtained leave to have printed in the RECORD an address entitled "The Party of Lincoln in This Year of Grace," delivered by Senator Flanders at Detroit, Mich., on February 10, 1948, which appears in the Appendix.]

**LINCOLN DAY ADDRESS BY SENATOR
TAFT AT ST. PAUL, MINN.**

[Mr. THYE asked and obtained leave to have printed in the RECORD the Lincoln Day address of Senator Taft, delivered to the Lincoln Republican Club at St. Paul, Minn., which appears in the Appendix.]

**THE WORLD FOOD AND MARKET SITUATION—ADDRESS BY THE SECRETARY
OF AGRICULTURE**

[Mr. CAPPER asked and obtained leave to have printed in the RECORD an address entitled "Taking Stock of the World Food and Market Situation," delivered by Hon. Clinton P. Anderson, Secretary of Agriculture, at the National Press Club, Washington, D. C., on February 18, 1948, which appears in the Appendix.]

**TREATMENT OF INDIANS—VETO OF
GIDEON PEON BILL**

[Mr. ECTON asked and obtained leave to have printed in the RECORD an article entitled "Gideon Peon in the Background of a Presidential Veto," by John H. Holst, which appears in the Appendix.]

**MAHATMA GANDHI—EDITORIAL FROM
THE CHRISTIAN ADVOCATE**

[Mr. THOMAS of Utah asked and obtained leave to have printed in the RECORD an editorial entitled "An Indian Saint," from the February 19 issue of the Christian Advocate, which appears in the Appendix.]

**GEORGE WASHINGTON — EDITORIAL
FROM PORTLAND (OREG.) HOME
BUILDER**

[Mr. O'DANIEL asked and obtained leave to have printed in the RECORD an editorial entitled "George Washington—1948," written by Carlos W. Huntington and published in the Portland (Oreg.) Homebuilder, which will appear in the Appendix.]

**CONTROL OF MARGINS ON COMMODITY
EXCHANGES—TELEGRAM FROM ROBERT
M. HARRISS**

[Mr. O'DANIEL asked and obtained leave to have printed in the RECORD a telegram dated February 18, 1948, from Robert M. Harriss, of Harriss & Vose, New York, dealing

with the subject of control of margins on commodity exchanges, which appears in the Appendix.]

**FEDERAL CONTROL OF OIL—TELEGRAM
FROM H. R. CULLEN**

[Mr. O'DANIEL asked and obtained leave to have printed in the RECORD a telegram dated February 14, 1948, from H. R. Cullen, of Houston, Tex., addressed to a number of persons and dealing with the oil situation, which appears in the Appendix.]

**IT'S TIME TO DO SOMETHING ABOUT
GERMANY—ARTICLE BY O. K. ARM-
STRONG**

[Mr. KEM asked and obtained leave to have printed in the RECORD an article entitled "It's Time To Do Something About Germany," written by O. K. Armstrong and published in the Reader's Digest for March 1948, which appears in the Appendix.]

**RESTRICTION OF LIQUOR ADVERTISING—
EDITORIAL FROM COTTONWOOD COUN-
TY (MINN.) CITIZEN**

[Mr. CAPPER asked and obtained leave to have printed in the RECORD an editorial entitled "Curbing Liquor Advertising," published in a recent issue of the Cottonwood County (Minn.) Citizen, which appears in the Appendix.]

**SENATOR CAPEHART'S PROPOSAL—EDI-
TORIAL FROM THE MARION (IND.)
CHRONICLE**

[Mr. CAPEHART asked and obtained leave to have printed in the RECORD an editorial entitled "Senator Capehart's Proposal," published in the Marion (Ind.) Chronicle of February 10, 1948, which appears in the Appendix.]

**THE FEDERAL TRADE COMMISSION—MI-
NORITY RECOMMENDATIONS BY COM-
MISSIONER MASON**

[Mr. JOHNSON of Colorado asked and obtained leave to have printed in the RECORD certain statements by Commissioner Mason in support of his minority recommendations as to Federal Trade Commission practice, which appear in the Appendix.]

**JEFFERSON DAY ADDRESS BY SENATOR
BYRD**

Mr. BYRD. Mr. President, I ask unanimous consent to have printed in the body of the RECORD as a part of my remarks the speech I delivered last night at the Virginia Jefferson Day Democratic dinner in the city of Richmond, Va.

There being no objection, the speech was ordered to be printed in the RECORD, as follows:

SPEECH BY SENATOR HARRY F. BYRD, OF VIRGINIA,
AT THE VIRGINIA JEFFERSON DAY DINNER,
RICHMOND, VA., FEBRUARY 19, 1948

We meet here tonight to pay tribute to the man who gave the breath of life to the principles that have made the Democratic Party a virile agency throughout the years for the preservation of our representative democracy and the freedom of the individual.

If the sentient spirit of Thomas Jefferson could look down upon us, I feel certain he would be shocked and alarmed to know that a Democratic President, speaking for the National Democratic Party, has recently proposed enactment by the Federal Government of measures which, taken in their entirety, constitute a mass invasion of States' rights never before even suggested, much less recommended, by any previous President of any party affiliation in the Nation's history. Above all else, Thomas Jefferson preached and constantly emphasized that the preservation of our form of representative democracy, to which he contributed so much, de-

pended upon the dignity and sovereignty of the States in matters of local self-government.

The President of the United States has accepted and endorsed the conclusions of the committee known as the President's Committee on Civil Rights. He has recommended to the Congress the immediate passage of legislation to implement these recommendations.

By one measure—the enactment of the Federal Employment Practices Commission—it is proposed to establish another costly, powerful, and inquisitorial bureau of the Federal Government to send the strong arm of the National Government into the daily transactions of virtually every man's private business; to tell employers who to hire, who to fire, and who to promote. The Federal inquisitors appointed by a Federal commission would have the right, under this legislation, to enter every employer's place of business to examine his books and papers without processes of any court; to search for evidence on which to base charges against him. It would deprive people of their constitutional rights by forcing them to give evidence against themselves. It would provide for federally appointed examiners to hear the evidence, and the record could be sent to Washington, where a decision could be rendered against an employer in his absence. Fines and imprisonment are provided for any person who hinders the operation of this Federal commission.

The purpose of it is, by Federal coercion, to force employers in the South to give employment in privately owned businesses to members of a minority race, even though such action may not be justified by the worth of the person to be employed. An employer may not have the power to discharge one of his own employees who is not satisfactory. He may not have the power to hire a new employee or the power to control the promotions of his employees. All of this can be done under the direction of this Federal bureau, acting upon their own determination of whether an unfair practice has been committed by a private business in the employment or dismissal of any person in terms of that person's race, creed, color, national origin, or ancestry, or compensation or conditions of employment.

This legislation is now on the Senate Calendar. It was reported favorably by the Republican-controlled Committee on Labor and Public Welfare, and a Democratic President has endorsed the principles of the so-called fair-employment-practice legislation.

It is then proposed to enact an antilynching law to be enforced by Federal agents with prosecution in Federal courts. Such a Federal law has long been considered unconstitutional since it involves no interstate aspects. The fact that only one lynching occurred in the South in the year 1947, and the dominant desire clearly manifested by the southern people to prevent lynching by all possible means, have not deterred the proponents of this legislation from asking for its immediate enactment. It is clearly an invasion of States' rights and, if enacted, would establish a precedent for the Federal Government to take jurisdiction in other State crimes which are punishable under the laws of the respective States.

Virginia is proud of her record against lynching. In 1928 the strongest antilynching law that any State has ever passed was placed on the statute books by the General Assembly of Virginia. This, combined with the militant public opinion in Virginia against lynching, is responsible for the record of not having a single lynching in Virginia for 20 years.

The President's Commission proposes, and he endorsed, not only the specific abolition of the poll tax in Federal elections, but also an authorization to the Department of Justice to use all civil and criminal powers of

80TH CONGRESS
2D SESSION

S. J. RES. 187

IN THE SENATE OF THE UNITED STATES

FEBRUARY 20 (legislative day, FEBRUARY 2), 1948

Mr. AIKEN introduced the following joint resolution; which was read twice
and referred to the Committee on Agriculture and Forestry

JOINT RESOLUTION

Authorizing the Secretary of Agriculture to utilize section 32
funds to encourage the exportation of surplus agricultural
commodities and products thereof under foreign-aid programs.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*
3 That, notwithstanding any other provision of law, in order
4 to encourage the exportation of agricultural commodities and
5 products thereof surplus to domestic needs for utilization
6 pursuant to any Act providing for relief or assistance to
7 foreign countries, the Secretary of Agriculture, in carrying
8 out the purposes of clause (1), section 32, Public Law 320,
9 Seventy-fourth Congress, as amended, may make payments,
10 including payments to any Government agency procuring or

1 selling such commodities or products, in an amount not to
2 exceed 50 per centum of the sales prices (basis free along
3 ship or free on board vessel, United States ports), as deter-
4 mined by the Secretary, of such agricultural commodities
5 or products thereof: *Provided*, That, if the sale is by a
6 Government agency, such sales price shall not be less than
7 its cost.

8 The rescission of the remainder of section 32 funds by
9 the Act of July 30, 1947 (Public Law 266, Eightieth Con-
10 gress), is hereby canceled and such funds are hereby made
11 available for the purposes of section 32 for the fiscal year
12 ending June 30, 1948.

JOINT RESOLUTION

Authorizing the Secretary of Agriculture to utilize section 32 funds to encourage the exportation of surplus agricultural commodities and products thereof under foreign-aid programs.

By Mr. AIKEN

FEBRUARY 20 (legislative day, FEBRUARY 2), 1948

Read twice and referred to the Committee on
Agriculture and Forestry

1543, 1619-22). S. 2182, to continue rent controls was made the unfinished business (p. 1599).

16. ST. LAWRENCE SEAWAY. Continued debate on S.J.Res. 111, to authorize this project (pp. 1546-88).
17. FOREIGN AID. Sen. Capper, Kans., inserted a General Federation of Women's Clubs statement favoring a European recovery program (p. 1545).
18. FOREST LANDS. The "Daily Digest" states that the Interior and Insular Affairs Committee approved for reporting (but did not actually report) H.R. 3175, to add certain lands to the Shasta National Forest (p. D146).

HOUSE - FEBRUARY 23

19. C.C.C. The "Daily Digest" states that the Rules Committee laid on the table H. Res. 184, which would give jurisdiction over the Commodity Credit Corporation to the Agriculture Committee (p. D147).
20. TARIFFS. The Ways and Means Committee reported without amendment H.R. 5275, providing for free entry of limestone for use as fertilizer (H.Rept. 1415); H.R. 4938, classifying platinum-fox furs and foxes as dutiable (H.Rept. 1414); and H.R. 5328, providing for free entry of certain wood wastes (H.Rept. 1416) (p. 1627).
21. TRANSPORTATION. The Merchant Marine and Fisheries Committee reported without amendment H.J.Res. 332, to continue until Mar. 1, 1949, the temporary authority of the Maritime Commission to sell, charter, and operate vessels (H.Rept. 1417) (p. 1627).
22. OLEOMARGARINE. Rep. Murray, Wis., spoke in opposition to the repeal of taxes on oleomargarine (p. 1613).
Rep. Gross, Pa., spoke in opposition to the repeal of taxes on oleomargarine (p. 1613).
23. FLOOD CONTROL. Rep. Jenkins, Ohio, pointed out the value of flood control measures and devices along the Ohio River during the recent floods (p. 1609).
Received from the Army Department reports of preliminary examination and surveys of the Southern Branch of the Elizabeth River, Norfolk Harbor, Va., and Traverse Bay, Mich. (H. Docs. 545, 546) (p. 1627).
24. LANDS. Received from the Interior Department a proposed bill to amend the act entitled "An act to provide for the purchase of public lands for home and other sites." To Public Lands Committee. (pp. 1626-7.)

BILLS INTRODUCED - FEBRUARY 23

25. RURAL ELECTRIFICATION; APPROPRIATIONS. H.R. 5489, by Rep. Harless, Ariz., making an additional appropriation to carry out the provisions of the Rural Electrification Act, for the fiscal year ending June 30, 1948. To Appropriations Committee. (p. 1627.)
H.R. 5504, by Rep. Rankin, Miss., making an additional deficiency appropriation to carry out the provisions of the Rural Electrification Act, for the fiscal year ending June 30, 1948. To Appropriations Committee. (p. 1627.)
Remarks of author (p. A1036).
26. FOREIGN AID. S. 2202, by Sen. Vandenberg, Mich. (for himself and Sen. Connally, Tex.), to promote the general welfare, national interest, and foreign policy of

the U.S. through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world To Foreign Relations Committee. (p. 1546.)

H.Res. 476, by Rep. Herter, Mass., extending the time for final report of the Select Committee on Foreign Aid until May 1, 1948. To Rules Committee. (p. 1627.)

27. GRANT LANDS. S. 2196, by Sen. Dworshak, Idaho, to enable the Secretary of Agriculture to extend financial assistance to homestead entrymen. To Agriculture and Forestry Committee. (p. 1546.)

28. FLOOD CONTROL. S. 2197, by Sen. Holland, Fla. (for himself and Sen. Penner, Fla.), authorizing the construction of a comprehensive plan for flood control and other purposes in central and southern Fla. To Public Works Committee. (p. 1546.)

H.R. 5490, by Rep. Rogers, Fla., authorizing the construction of a comprehensive plan for flood control and other purposes in central and southern Fla. To Public Works Committee. (p. 1627.) Remarks of author (p. 1614).

29. PERSONNEL; VETERANS' BENEFITS. H.R. 5508, by Rep. Stevenson, Wis., to amend the Veterans' Preference Act to extend the benefits of such act to certain others of veterans. To Post Office and Civil Service Committee. (p. 1627.)

30. WILDLIFE. H.R. 5506, by Rep. Sikes, Fla., to authorize restocking, propagation, and conservation of game in the Eglin Field Reservation. To Armed Services Committee. (p. 1627.)

ITEMS IN APPENDIX - FEBRUARY 23

31. COMMODITY EXCHANGE. Rep. Auchincloss, N.J., inserted Robert P. Boylan's (chm., N.Y. Stock Exchange) recent address "defending speculation and the speculator" in our stock and commodity markets (pp. A1055-6).

32. FOOT-AND-MOUTH DISEASE. Rep. Woodruff, Mich., inserted a Farm Journal article, "Death Walks on Four Feet—Foot-and-Mouth Failure" (pp. A1060-1).

33. FLOOD CONTROL. Rep. Evins, Tenn., inserted a N.Y. Times editorial commending the handling of flood waters in the Tennessee River Valley by the TVA system of dams (p. A1092).

34. OLEOMARGARINE. Rep. Davis, Wis., inserted a Labor Relations Bulletin (Milwaukee Wis.) article opposing the repeal of taxes on oleomargarine (pp. A1067-9).

Rep. Buck, N.Y., inserted several Wisconsin newspaper editorials favoring the repeal of oleomargarine taxes (pp. A1077-8).

Rep. Smith, Wis., inserted former President Cleveland's statement when he signed the bill providing for the oleomargarine taxes (pp. A1093-4).

Extension of remarks of Rep. Murray, Wis., claiming that the "whole dairy industry is being jeopardized" in "this oleo-butter controversy," and including excerpts from a Business Week editorial on the subject (p. 1100).

Rep. Murray, Wis., inserted a Washington Evening Star editorial "Brennan Calls for End of Oleomargarine Tax" (p. 1104).

35. PRICE CONTROLS. Rep. Schwabe, Okla., inserted a constituent's poem, "No Controls, Please" (p. A1079).

36. FEDERAL AID. Rep. Woodruff, Mich., inserted a Michigan Survey article, "Federal

80TH CONGRESS
2D SESSION

S. 2202

IN THE SENATE OF THE UNITED STATES

FEBRUARY 23 (legislative day, FEBRUARY 2), 1948

Mr. VANDENBERG (for himself and Mr. CONNALLY) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

A BILL

To promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as "The Economic Cooperation
4 Act of 1948".

5 FINDINGS AND DECLARATION OF POLICY

6 SEC. 2. (a) Recognizing the intimate economic and other
7 relationships between the United States and the nations of

1 Europe, and recognizing that disruption following in the wake
2 of war is not contained by national frontiers, the Congress
3 finds that the existing situation in Europe endangers the
4 establishment of a lasting peace, the general welfare and
5 national interest of the United States, and the attainment of
6 the objectives of the United Nations. The restoration or
7 maintenance in European countries of principles of individual
8 liberty, free institutions, and genuine independence rests
9 largely upon the establishment of sound economic conditions,
10 stable international economic relationships, and the achieve-
11 ment by the countries of Europe of a healthy economy inde-
12 pendent of extraordinary outside assistance. The accom-
13 plishment of these objectives calls for a plan of European
14 recovery, open to all such nations which cooperate in such
15 plan, based upon a strong production effort, the expansion
16 of foreign trade, the creation and maintenance of internal
17 financial stability, and the development of economic coopera-
18 tion, including all possible steps to establish and maintain
19 equitable rates of exchange and to bring about the progressive
20 elimination of trade barriers. Mindful of the advantages
21 which the United States has enjoyed through the existence
22 of a large domestic market with no internal trade barriers,
23 and believing that similar advantages can accrue to the
24 countries of Europe, it is the hope of the people of the United
25 States that these countries through a joint organization will

1 exert sustained common efforts which will speedily achieve
2 that economic cooperation in Europe which is essential for
3 lasting peace and prosperity. Accordingly, it is declared to
4 be the policy of the people of the United States to sustain and
5 strengthen principles of individual liberty, free institutions,
6 and genuine independence in Europe through assistance to
7 those countries of Europe which participate in a joint recovery
8 program based upon self-help and mutual cooperation: *Pro-*
9 *vided*, That no assistance to the participating countries herein
10 contemplated shall seriously impair the economic stability
11 of the United States. It is further declared to be the policy
12 of the United States that continuity of assistance provided
13 by the United States should, at all times, be dependent upon
14 continuity of cooperation among countries participating in
15 the program.

16 PURPOSES OF ACT

17 (b) It is the purpose of this Act to effectuate the policy
18 set forth in subsection (a) of this section by furnishing
19 material and financial assistance to the participating coun-
20 tries in such a manner as to aid them, through their own
21 individual and concerted efforts, to become independent of
22 extraordinary outside economic assistance within the period
23 of operations under this Act, by—

24 (1) promoting industrial and agricultural produc-
25 tion in the participating countries;

1 (2) furthering the restoration or maintenance of
2 the soundness of European currencies, budgets, and
3 finances; and

4 (3) facilitating and stimulating the growth of inter-
5 national trade of participating countries with one an-
6 other and with other countries by appropriate measures
7 including reduction of barriers which may hamper such
8 trade.

9 PARTICIPATING COUNTRIES

10 SEC. 3. As used in this Act, the term “participating
11 country” means—

12 (a) any country, together with dependent areas
13 under its administration, which signed the report of the
14 Committee of European Economic Cooperation at Paris
15 on September 22, 1947; and

16 (b) any other country (including any of the zones
17 of occupation of Germany, any areas under interna-
18 tional administration or control, and the Free Territory
19 of Trieste or either of its zones) wholly or partly in
20 Europe, together with dependent areas under its admin-
21 istration;

22 provided such country adheres to, and for so long as it
23 remains an adherent to, a joint program for European
24 recovery designed to accomplish the purposes of this Act.

ESTABLISHMENT OF ECONOMIC COOPERATION

ADMINISTRATION

SEC. 4. (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate of \$20,000 per annum. The Administrator shall be responsible to the President and shall have a status in the executive branch of the Government comparable to that of the head of an executive department. Except as otherwise provided in this Act, the administration of the provisions of this Act is hereby vested in the Administrator and his functions shall be performed under the control of the President.

(b) There shall be in the Administration a Deputy Administrator for Economic Cooperation who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$17,500 per annum. The Deputy Administrator for Economic Cooperation shall perform such functions as the

1 Administrator shall designate, and shall be Acting Adminis-
2 trator for Economic Cooperation during the absence or dis-
3 ability of the Administrator or in the event of a vacancy
4 in the office of Administrator.

5 (c) The President is authorized, pending the appoint-
6 ment and qualification of the first Administrator or Deputy
7 Administrator for Economic Cooperation appointed here-
8 under, to provide, for a period of not to exceed thirty days
9 after the date of enactment of this Act, for the performance
10 of the functions of the Administrator under this Act through
11 such departments, agencies, or establishments of the United
12 States Government as he may direct. In the event the
13 President nominates an Administrator or Deputy Adminis-
14 trator prior to the expiration of such thirty-day period, the
15 authority conferred upon the President by this subsection
16 shall be extended beyond such thirty-day period but only
17 until an Administrator or Deputy Administrator qualifies and
18 takes office.

19 (d) Any department, agency, or establishment of the
20 Government (including, whenever used in this Act, any
21 corporation which is an instrumentality of the United States)
22 performing functions under this Act is authorized to employ,
23 for duty within the continental limits of the United States,
24 such personnel as may be necessary to carry out the pro-
25 visions and purposes of this Act, and funds available pursuant

1 to section 14 of this Act shall be available for personal
2 services in the District of Columbia and elsewhere without
3 regard to section 14 (a) of the Federal Employees Pay Act
4 of 1946 (60 Stat. 219). Of such personnel employed by
5 the Administration, not to exceed sixty may be compensated
6 without regard to the provisions of the Classification Act
7 of 1923, as amended, of whom not more than ten may be
8 compensated at a rate in excess of \$10,000 per annum,
9 but not in excess of \$15,000 per annum. Experts and
10 consultants or organizations thereof, as authorized by section
11 15 of the Act of August 2, 1946 (U. S. C., title 5, sec. 55a),
12 may be employed by the Administration, and individuals so
13 employed may be compensated at rates not in excess of
14 \$50 per diem and while away from their homes or regular
15 places of business, they may be paid actual travel expenses
16 and not to exceed \$10 per diem in lieu of subsistence and
17 other expenses while so employed.

18 (e) The head of any department, agency, or establish-
19 ment of the Government performing functions under this
20 Act may, from time to time, promulgate such rules and regu-
21 lations as may be necessary and proper to carry out his func-
22 tions under this Act, and he may delegate authority to
23 perform any of such functions to his subordinates, acting
24 under his direction and under rules and regulations pro-
25 mulgated by him.

GENERAL FUNCTIONS OF ADMINISTRATOR

SEC. 5. (a) The Administrator, under the control of the President, shall in addition to all other functions vested in him by this Act—

(1) review and appraise the requirements of participating countries for assistance under the terms of this Act;

(2) formulate programs of United States assistance under this Act, including approval of specific projects which have been submitted to him by the participating countries;

(3) provide for the efficient execution of any such programs as may be placed in operation; and

(4) terminate provision of assistance or take other remedial action as provided in section 17 of this Act.

(b) In order to strengthen and make more effective the conduct of the foreign relations of the United States—

(1) the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other;

(2) whenever the Secretary of State believes that any action, proposed action, or failure to act on the part

1 of the Administrator is inconsistent with the foreign-
2 policy objectives of the United States, he shall consult
3 with the Administrator and, if differences of view are
4 not adjusted by consultation, the matter shall be referred
5 to the President for final decision.

6 NATIONAL ADVISORY COUNCIL

7 SEC. 6. Section 4 (a) of the Bretton Woods Agreement
8 Act (59 Stat. 512, 513) is hereby amended to read as
9 follows:

10 "SEC. 4. (a) In order to coordinate the policies and
11 operations of the representatives of the United States on the
12 Fund and the Bank and of all agencies of the Government
13 which make or participate in making foreign loans or which
14 engage in foreign financial exchange or monetary transac-
15 tions, there is hereby established the National Advisory Coun-
16 cil on International Monetary and Financial Problems
17 (hereinafter referred to as the 'Council'), consisting of the
18 Secretary of Treasury as Chairman, the Secretary of State,
19 the Secretary of Commerce, the Chairman of the Board of
20 Governors of the Federal Reserve System, the Chairman of
21 the Board of Trustees of the Export-Import Bank of Wash-
22 ington, and during such period as the Economic Cooperation
23 Administration shall continue to exist, the Administrator for
24 Economic Cooperation."

PUBLIC ADVISORY BOARD

SEC. 7. (a) There is hereby created a Public Advisory Board, hereinafter referred to as the Board, which shall advise and consult with the Administrator with respect to general or basic policy matters arising in connection with the Administrator's discharge of his responsibilities. The Board shall consist of the Administrator, who shall be Chairman, and not to exceed twelve additional members to be appointed by the President, by and with the advice and consent of the Senate, and who shall be selected from among citizens of the United States of broad and varied experience in matters affecting the public interest, other than officers and employees of the United States (including any agency or instrumentality of the United States) who, as such, regularly receive compensation for current services. The Board shall meet at least once a month and at other times upon the call of the Administrator or when three or more members of the Board request the Administrator to call a meeting. Not more than a majority of two of the members shall be appointed to the Board from the same political party. Members of the Board, other than the Administrator, shall receive, out of funds made available for the purposes of this Act, a per diem allowance of \$50 for each day spent away from their homes or regular places of business, for the purpose of attendance at meetings of the Board, or

1 at conferences held upon the call of the Administrator,
2 and in necessary travel, and while so engaged, they may
3 be paid actual travel expenses and not to exceed \$10 per
4 diem in lieu of subsistence and other expenses.

5 (b) The Administrator may appoint such other advisory
6 committees as he may determine to be necessary or desirable
7 to effectuate the purposes of this Act.

8 UNITED STATES SPECIAL REPRESENTATIVE ABROAD

9 SEC. 8. There shall be a United States Special Repre-
10 sentative in Europe who shall (a) be appointed by the Presi-
11 dent, by and with the advice and consent of the Senate, (b)
12 be entitled to receive the same compensation and allowances
13 as a chief of mission, class 1, within the meaning of the Act
14 of August 13, 1946 (60 Stat. 999), and (c) have the rank
15 of ambassador extraordinary and plenipotentiary. He shall
16 be the chief United States representative to any organi-
17 zation of participating countries which may be established
18 by such countries to further a joint program for European
19 recovery, and shall discharge in Europe such additional re-
20 sponsibilities as may be assigned to him with the approval
21 of the President in furtherance of the purposes of this Act.
22 He may also be designated as the United States representa-
23 tive on the Economic Commission for Europe. He shall
24 keep the Administrator, the Secretary of State, the chiefs
25 of the United States diplomatic missions, and the chiefs of

1 the special missions provided for in section 9 of this Act
2 currently informed concerning his activities. He shall con-
3 sult with the chiefs of all such missions, who shall give him
4 such cooperation as he may require for the performance of
5 his duties under this Act.

6 SPECIAL ECA MISSIONS ABROAD

7 SEC. 9. (a) There shall be established in each partici-
8 pating country, except as provided in subsection (d) of this
9 section, a special mission for economic cooperation under
10 the direction of a chief who shall be responsible for assuring
11 the performance within such country of operations under
12 this Act. The chief shall be appointed by the Adminis-
13 trator, shall receive his instructions from the Administrator,
14 and shall report to the Administrator on the performance
15 of the duties assigned to him. The chief of the special mis-
16 sion shall take rank immediately after the chief of the United
17 States diplomatic mission in such country.

18 (b) The chief of the special mission shall keep the chief
19 of the United States diplomatic mission fully and currently
20 informed on matters, including prospective action, arising
21 within the scope of the operations of the special mission and
22 the chief of the diplomatic mission shall keep the chief of the
23 special mission fully and currently informed on matters
24 relative to the conduct of the duties of the chief of the special
25 mission. The chief of the United States diplomatic mission

1 will be responsible for assuring that the operations of the
2 special mission are consistent with the foreign-policy objec-
3 tives of the United States in such country and to that end
4 whenever the chief of the United States diplomatic mission
5 believes that any action, proposed action, or failure to act
6 on the part of the special mission is inconsistent with such
7 foreign-policy objectives, he shall so advise the chief of the
8 special mission. If differences of view are not adjusted by
9 consultation, the matter shall be referred to the Secretary of
10 State and the Administrator for decision.

11 (c) The Secretary of State shall provide such office
12 space, facilities, and other administrative services for the
13 United States Special Representative in Europe and his staff,
14 and for the special mission in each participating country, as
15 may be agreed between the Secretary of State and the
16 Administrator.

17 (d) With respect to any of the zones of occupation of
18 Germany and of the Free Territory of Trieste, during the
19 period of occupation, the President shall make appropriate
20 administrative arrangements for the conduct of operations
21 under this Act, in order to enable the Administrator to carry
22 out his responsibility to assure the accomplishment of the
23 purposes of this Act.

24 PERSONNEL OUTSIDE UNITED STATES

25 SEC. 10. (a) For the purpose of performing functions

1 under this Act outside the continental limits of the United
2 States the Administrator may—

3 (1) employ persons who shall receive compensa-
4 tion at any of the rates provided for the Foreign Service
5 Reserve and Staff by the Foreign Service Act of 1946
6 (60 Stat. 999), together with allowances and benefits
7 established thereunder; and

8 (2) recommend the appointment or assignment of
9 persons, and the Secretary of State may appoint or
10 assign such persons, to any class in the Foreign Service
11 Reserve or Staff for the duration of operations under
12 this Act, and the Secretary of State may thereafter
13 assign, transfer, or promote such persons upon the
14 recommendation of the Administrator. Persons so
15 appointed to the Foreign Service Staff shall be entitled
16 to the benefits of section 528 of the Foreign Service
17 Act of 1946.

18 (b) For the purpose of performing functions under this
19 Act outside the continental limits of the United States, the
20 Secretary of State may, at the request of the Administrator,
21 appoint, for the duration of operations under this Act, alien
22 clerks and employees in accordance with applicable provi-
23 sions of the Foreign Service Act of 1946 (60 Stat. 999).

24 (c) Civilian personnel who are citizens or residents
25 of the United States employed or appointed pursuant to this

1 section to perform functions under this Act shall be investi-
2 gated by the Federal Bureau of Investigation which shall
3 make a report thereof to the appointing authority as soon as
4 possible: *Provided, however,* That they may temporarily
5 assume their posts and perform their functions after pre-
6 liminary investigation and clearance by the Administrator or
7 the Secretary of State, as the case may be, but such employ-
8 ment may be terminated after the receipt of the report of
9 the Federal Bureau of Investigation.

10 NATURE AND METHOD OF ASSISTANCE

11 SEC. 11. (a) The Administrator may, from time to
12 time, furnish assistance to any participating country by pro-
13 viding for the performance of any of the functions set forth
14 in paragraphs (1) through (5) of this subsection when he
15 deems it to be in furtherance of the purposes of this Act,
16 and upon the terms and conditions set forth in this Act and
17 such additional terms and conditions consistent with the pro-
18 visions of this Act as he may determine to be necessary and
19 proper.

20 (1) Procurement from any source, including Gov-
21 ernment stocks, of any commodity which he determines
22 to be required for the furtherance of the purposes of this
23 Act. As used in this Act, the term "commodity" means
24 any commodity, material, article, merchant vessel au-
25 thorized to be chartered under paragraph (4) of this

1 subsection, supply, or goods necessary for the purposes
2 of this Act.

3 (2) Processing, storing, transporting, and repair-
4 ing any commodities, or performing any other services
5 with respect to a participating country which he deter-
6 mines to be required for accomplishing the purposes of
7 this Act.

8 (3) Procurement of and furnishing technical infor-
9 mation and assistance.

10 (4) With the approval of the President, placing in
11 operating condition, and, for periods not extending be-
12 yond December 31, 1952, chartering to participating
13 countries, not more than three hundred dry-cargo mer-
14 chant vessels owned by the United States and not in
15 operation at the time of charter. If a vessel of the
16 United States is so chartered, its documents as a vessel
17 of the United States shall be surrendered and it shall,
18 during the charter period, be considered as a foreign
19 vessel for the purposes of the navigation and vessel-
20 inspection laws of the United States.

21 (5) Transfer of any commodity or service, which
22 transfer shall be signified by delivery of the custody
23 and right of possession and use of such commodity, or
24 otherwise making available any such commodity, or by
25 rendering a service to a participating country or to any

1 agency or organization representing a participating
2 country.

3 (b) The Administrator may provide for the perform-
4 ance of any of the functions described in subsection (a) of
5 this section—

6 (1) by establishing accounts against which, under
7 regulations prescribed by the Administrator—

8 (i) letters of commitment may be issued in
9 connection with supply programs approved by the
10 Administrator (and such letters of commitment,
11 when issued, shall constitute obligations of appli-
12 cable appropriations) ; and

13 (ii) withdrawals may be made by partici-
14 pating countries, or agencies or organizations rep-
15 resenting participating countries, upon presentation
16 of contracts, invoices, or other documentation speci-
17 fied by the Administrator.

18 Such accounts may be established on the books of the
19 Administration, or any other department, agency, or
20 establishment of the Government specified by the Admin-
21 istrator, or, on terms and conditions approved by the
22 Secretary of the Treasury, in banking institutions in
23 the United States. Expenditures of funds which have
24 been made available through accounts so established shall

1 be accounted for on standard documentation required
2 for expenditures of Government funds: *Provided*, That
3 such expenditures for commodities or services procured
4 outside the continental limits of the United States under
5 authority of this section may be accounted for exclu-
6 sively on such certification as the Administrator may
7 prescribe to assure expenditure in furtherance of the
8 purposes of this Act, and such certification shall be
9 binding on the accounting officers of the Government.

10 (2) by utilizing the services and facilities of any
11 department, agency, or establishment of the Government
12 as the President shall direct, or with the consent of the
13 head of such department, agency, or establishment, or, in
14 the President's discretion, by acting in cooperation with
15 the United Nations or with other international organ-
16 izations or with agencies of the participating countries,
17 and funds allocated pursuant to this section to any depart-
18 ment, agency, or establishment of the Government shall
19 be established in separate appropriation accounts on the
20 books of the Treasury.

21 (3) by making, under rules and regulations to be
22 prescribed by the Administrator, guaranties to any
23 person of investments in connection with projects ap-
24 proved by the Administrator and the participating coun-
25 try concerned as furthering the purposes of this Act,

1 which guaranties shall terminate not later than fourteen
2 years from the date of enactment of this Act: *Provided,*
3 That—

4 (i) the guaranty to any person shall not ex-
5 ceed the amount of dollars invested in the project
6 by such person with the approval of the Adminis-
7 trator and shall be limited to the transfer into
8 United States dollars of other currencies, or credits
9 in such currencies, received by such person as in-
10 come from the approved investment, as repayment
11 or return thereof, in whole or in part, or as com-
12 pensation for the sale or disposition of all or any
13 part thereof;

14 (ii) the total liabilities assumed under such
15 guaranties shall not exceed 5 per centum of the
16 total funds appropriated for the purposes of this Act
17 and any liabilities accruing under such guaranties
18 shall be defrayed within the limits of funds so appro-
19 priated; and

20 (iii) as used in this paragraph, the term “per-
21 son” means a citizen of the United States or any
22 corporation, partnership, or other association created
23 under the law of the United States or of any State
24 or Territory and substantially beneficially owned by
25 citizens of the United States.

1 (c) (1) The Administrator may provide assistance for
2 any participating country, in the form and under the pro-
3 cedures authorized in subsections (a) and (b), respectively,
4 of this section, through grants or upon payment in cash, or
5 on credit terms, or on such other terms of payment as he
6 may find appropriate, including payment by the transfer to
7 the United States (under such terms and in such quantities
8 as may be agreed to between the Administrator and the
9 participating country) of materials which are required by
10 the United States as a result of deficiencies or potential
11 deficiencies in its own resources. In determining whether
12 such assistance shall be through grants or upon terms of
13 payment, and in determining the terms of payment, he
14 shall act in consultation with the National Advisory Council
15 on International Monetary and Financial Problems, and the
16 determination whether or not a participating country should
17 be required to make payment for any assistance furnished
18 to such country in furtherance of the purposes of this Act,
19 and the terms of such payment, if required, shall depend
20 upon the character and purpose of the assistance and upon
21 the capacity of such country to make such payments without
22 jeopardizing the accomplishment of the purposes of this Act.

23 (2) When it is determined that assistance should be
24 extended under the provisions of this Act on credit terms,
25 the Administrator shall allocate funds for the purpose to

1 the Export-Import Bank of Washington, which shall, not-
2 withstanding the provisions of the Export-Import Bank Act
3 of 1945 (59 Stat. 526), as amended, make and administer
4 the credit as directed, and on terms specified, by the Admin-
5 istrator in consultation with the National Advisory Council
6 on International Monetary and Financial Problems. The
7 Administrator shall make advances to, or reimburse, the
8 Export-Import Bank of Washington for necessary admin-
9 istrative expenses in connection with such credits. The
10 Bank shall deposit into the Treasury of the United States,
11 as miscellaneous receipts, amounts received by the Bank in
12 repayment of principal and interest on any such credits.
13 Credits made by the Export-Import Bank of Washington
14 with funds so allocated to it by the Administrator shall not
15 be considered in determining whether the Bank has outstand-
16 ing at any one time loans and guaranties to the extent of
17 the limitation imposed by section 7 of the Export-Import
18 Bank Act of 1945 (59 Stat. 529), as amended.

19 PROTECTION OF DOMESTIC ECONOMY

20 SEC. 12. (a) The Administrator shall provide for the
21 procurement in the United States of commodities under this
22 Act in such a way as to (1) minimize the drain upon the
23 resources of the United States and the impact of such
24 procurement upon the domestic economy, and (2) avoid

1 impairing the fulfillment of vital needs of the people of
2 the United States.

3 (b) The procurement of petroleum and petroleum
4 products under this Act shall, to the maximum extent prac-
5 ticable, be made from petroleum sources outside the United
6 States; and, in furnishing commodities under the provisions
7 of this Act, the Administrator shall take fully into account
8 the present and anticipated world shortage of petroleum and
9 its products and the consequent undesirability of expansion
10 in petroleum-consuming equipment where the use of alter-
11 nate fuels or other sources of power is practicable.

12 (c) In procuring from sources within the United States
13 any agricultural commodity not in short supply in the United
14 States for transfer by grant to any participating country in
15 accordance with the requirements of such country, the Ad-
16 ministrator shall, insofar as practicable and where in further-
17 ance of the purposes of this Act, provide for the procurement
18 of an amount of each class or type of any such commodity
19 in approximate proportion to the total exportable supply of
20 such class or type of such commodity.

21 REIMBURSEMENT TO GOVERNMENT AGENCIES

22 SEC. 13. (a) The Administrator shall make reimburse-
23 ment or payment, out of funds available for the purposes of
24 this Act, for any commodity, service, or facility procured
25 under section 11 of this Act from any department, agency,

1 or establishment of the Government. Such reimbursement
2 or payment shall be made to the owning or disposal agency,
3 as the case may be, at replacement cost, or, if required by
4 law, at actual cost, or at any other price authorized by law
5 and agreed to between the Administrator and such agency.
6 The amount of any reimbursement or payment to an owning
7 agency for commodities, services, or facilities so procured
8 shall be credited to current applicable appropriations, funds,
9 or accounts from which there may be procured replacements
10 of similar commodities or such services or facilities: *Pro-*
11 *vided*, That such commodities, services, or facilities may be
12 procured from an owning agency only with the consent of
13 such agency: *And provided further*, That where such appro-
14 priations, funds, or accounts are not reimbursable except by
15 reason of this subsection, and when the owning agency deter-
16 mines that replacement of any commodity procured under
17 authority of this section is not necessary, any funds received
18 in payment therefor shall be covered into the Treasury as
19 miscellaneous receipts.

20 (b) The Administrator, whenever in his judgment the
21 interests of the United States will best be served thereby,
22 may dispose of any commodity procured out of funds made
23 available for the purposes of this Act, in lieu of transferring
24 such commodity to a participating country, (1) by transfer
25 of such commodity, upon reimbursement, to any department,

1 agency, or establishment of the Government for use or dis-
2 posal by such department, agency, or establishment as
3 authorized by law, or (2) without regard to provisions of
4 law relating to the disposal of Government-owned property,
5 when necessary to prevent spoilage or wastage of such com-
6 modity or to conserve the usefulness thereof. Funds realized
7 from such disposal or transfer shall revert to the respective
8 appropriation or appropriations out of which funds were
9 expended for the procurement of such commodity.

10 AUTHORIZATION OF APPROPRIATIONS

11 SEC. 14. (a) Notwithstanding the provisions of any
12 other law, the Reconstruction Finance Corporation is au-
13 thorized and directed, until such time as an appropriation
14 shall be made pursuant to subsection (c) of this section,
15 to make advances not to exceed in the aggregate \$1,000,-
16 000,000 to carry out the provisions of this Act, in
17 such manner, at such time and in such amounts as the Presi-
18 dent shall determine, and no interest shall be charged on ad-
19 vances made by the Treasury to the Reconstruction Finance
20 Corporation for this purpose. The Reconstruction Finance
21 Corporation shall be repaid without interest from appro-
22 priations authorized under this Act for advances made by
23 it hereunder.

24 (b) Such part as the President may determine of the
25 unobligated and unexpended balances of appropriations or

1 other funds available for the purposes of the Foreign Aid
2 Act of 1947 shall be available for the purpose of carrying
3 out the purposes of this Act.

4 (c) In order to carry out the provisions of this Act
5 with respect to those participating countries which adhere
6 to the purposes of this Act, and remain eligible to receive
7 assistance hereunder, there are hereby authorized to be appro-
8 priated to the President, from time to time through June 30,
9 1952, out of any money in the Treasury not otherwise ap-
10 propriated, such sums as may be necessary to carry out the
11 provisions and accomplish the purposes of this Act: *Provided,*
12 *however,* That for carrying out the provisions and accom-
13 plishing the purposes of this Act for the period of one year
14 following the date of enactment of this Act, there are hereby
15 authorized to be so appropriated not to exceed \$5,300,000,-
16 000.

17 (d) Funds made available for the purposes of this Act
18 shall be available for incurring and defraying all necessary
19 expenses incident to carrying out the provisions of this
20 Act, including administrative expenses and expenses for
21 compensation, allowances and travel of personnel, including
22 Foreign Service personnel whose services are utilized
23 primarily for the purposes of this Act, and, without regard
24 to the provisions of any other law, for printing and binding,
25 and for expenditures outside the continental limits of the

1 United States for the procurement of supplies and services
2 and for other administrative purposes (other than compensa-
3 tion of personnel) without regard to such laws and regula-
4 tions governing the obligation and expenditure of govern-
5 ment funds, as the Administrator shall specify in the interest
6 of the accomplishment of the purposes of this Act.

7 (e) The unexpended portions of any deposits which
8 may have been made by any participating country pursuant
9 to section 6 of the joint resolution providing for relief as-
10 sistance to the people of countries devastated by war (Public
11 Law 84, Eightieth Congress) and section 5 (b) of the
12 Foreign Aid Act of 1947 (Public Law 389, Eightieth Con-
13 gress) may be merged with the deposits to be made by such
14 participating country in accordance with section 15 (b)
15 (6) of this Act, and shall be held or used under the same
16 terms and conditions as are provided in section 15 (b)
17 (6) of this Act.

18 (f) In order to reserve some part of the surplus of
19 the fiscal year 1948 for payments thereafter to be made
20 under this Act, there is hereby created on the books of
21 the Treasury of the United States a trust fund to be known
22 as the Foreign Economic Cooperation Trust Fund. Not-
23 withstanding any other provision of law, an amount of
24 \$3,000,000,000, out of sums appropriated pursuant to the
25 authorization contained in this Act shall, when appropriated,

1 be transferred immediately to the trust fund, and shall there-
2 upon be considered as expended during the fiscal year 1948,
3 for the purpose of reporting governmental expenditures.
4 The Secretary of the Treasury shall be the sole trustee of the
5 trust fund and is authorized and directed to pay out of the
6 fund such amounts as the Administrator shall duly requisition.
7 The first expenditures made out of the appropriations
8 authorized under this Act in the fiscal year 1949 shall be
9 made with funds requisitioned by the Administrator out of
10 the trust fund until the fund is exhausted, at which time such
11 fund shall cease to exist. The provisions of this subsection
12 shall not be construed as affecting the application of any
13 provision of law which would otherwise govern the obligation
14 of funds so appropriated or the auditing or submission
15 of accounts of transactions with respect to such funds.

16 BILATERAL AND MULTILATERAL UNDERTAKINGS

17 SEC. 15. (a) The Secretary of State, after consultation
18 with the Administrator, is authorized to conclude, with
19 individual participating countries or any number of such countries
20 or with an organization representing any such countries,
21 agreements in furtherance of the purposes of this Act.

22 (b) The provision of assistance under this Act results
23 from the multilateral pledges of the participating countries
24 to use all their efforts to accomplish a joint recovery program
25 based upon self-help and mutual cooperation as embodied

1 in the report of the Committee of European Economic Co-
2 operation signed at Paris on September 22, 1947, and is
3 contingent upon continuous effort of the participating
4 countries to accomplish a joint recovery program through
5 multilateral undertakings and the establishment of a
6 continuing organization for this purpose. In addition to
7 continued mutual cooperation of the participating countries
8 in such a program, each such country shall conclude an
9 agreement with the United States in order for such country
10 to be eligible to receive assistance under this Act. Such
11 agreement shall provide for the adherence of such country
12 to the purposes of this Act and shall, where applicable, make
13 appropriate provision, among others, for—

14 (1) promoting industrial and agricultural produc-
15 tion in order to enable the participating country to be-
16 come independent of extraordinary outside economic
17 assistance; and submitting for the approval of the Ad-
18 ministrator, upon his request and whenever he deems
19 it in furtherance of the purposes of this Act, specific
20 projects proposed by such country to be undertaken in
21 substantial part with assistance furnished under this Act,
22 which projects, whenever practicable, shall include proj-
23 ects for increased production of coal, steel, transportation
24 facilities, and food;

25 (2) taking financial and monetary measures neces-

1 sary to stabilize its currency, establish or maintain a
2 valid rate of exchange, to balance its governmental
3 budget as soon as practicable, and generally to restore or
4 maintain confidence in its monetary system;

5 (3) cooperating with other participating countries
6 in facilitating and stimulating an increasing interchange
7 of goods and services among the participating countries
8 and with other countries and cooperating to reduce
9 barriers to trade among themselves and with other
10 countries;

11 (4) making efficient and practical use, within the
12 framework of a joint program for European recovery,
13 of the resources of such participating country, including
14 any commodities, facilities, or services furnished under
15 this Act, which use shall include, to the extent practicable,
16 taking measures to locate and control, in furtherance
17 of such program, assets, and earnings therefrom, which
18 belong to the citizens of such country and which are
19 situated within the United States, its Territories and
20 possessions;

21 (5) facilitating the transfer to the United States by
22 sale, exchange, barter, or otherwise for stock-piling purposes,
23 for such period of time as may be agreed to and
24 upon reasonable terms and in reasonable quantities, of
25 materials which are required by the United States as a

1 result of deficiencies or potential deficiencies in its own
2 resources, and which may be available in such participat-
3 ing country after due regard for reasonable requirements
4 for domestic use and commercial export of such country ;

5 (6) placing in a special account a deposit in the
6 currency of such country, in commensurate amounts and
7 under such terms and conditions as may be agreed to
8 between such country and the Government of the United
9 States, when any commodity or service is made avail-
10 able through any means authorized under this Act, and
11 is not furnished to the participating country on terms
12 of payment. Such special account, together with the
13 unexpended portions of any deposits which may have
14 been made by such country pursuant to section 6 of the
15 joint resolution providing for relief assistance to the
16 people of countries devastated by war (Public Law 84,
17 Eightieth Congress) and section 5 (b) of the Foreign
18 Aid Act of 1947 (Public Law 389, Eightieth Congress),
19 shall be held or used only for such purposes as may be
20 agreed to between such country and the Administrator
21 in consultation with the National Advisory Council on
22 International Monetary and Financial Problems, and
23 under agreement that any unencumbered balance remain-
24 ing in such account on June 30, 1952, will be disposed
25 of within such country for such purposes as may, subject

1 to approval by Act or joint resolution of the Congress, be
2 agreed to between such country and the Government of
3 the United States;

4 (7) publishing in such country and transmitting to
5 the United States, not less frequently than every cal-
6 endar quarter after the date of the agreement, full
7 statements of operations under the agreement, including
8 a report of the use of funds, commodities and services
9 received under this Act; and

10 (8) furnishing promptly, upon request of the
11 United States, any relevant information which would be
12 of assistance to the United States in determining the
13 nature and scope of operations and the use of assist-
14 ance provided under this Act.

15 (c) Notwithstanding the provisions of subsection
16 (b) of this section, the Administrator, during the three
17 months after the date of enactment of this Act, may
18 perform with respect to any participating country any of the
19 functions authorized under this Act which he may determine
20 to be essential in furtherance of the purposes of this Act,
21 if such country (1) has signified its adherence to
22 the purposes of this Act and its intention to conclude an
23 agreement pursuant to subsection (b) of this section, and
24 (2) he finds that such country is complying with the
25 applicable provisions of subsection (b) of this section:

1 *Provided*, That, notwithstanding the provisions of this sub-
2 section, the Administrator may, through June 30, 1948,
3 provide for the transfer of food, medical supplies, fibers,
4 fuel, petroleum and petroleum products, fertilizer, pesticides,
5 and seed to any country of Europe which participated in
6 the Committee of European Economic Cooperation and
7 which undertook pledges to the other participants therein,
8 when the Administrator determines that the transfer of any
9 such supplies to any such country is essential in order to
10 make it possible to carry out the purposes of this Act by
11 alleviating conditions of hunger and cold and by preventing
12 serious economic retrogression.

13 (d) The Administrator shall encourage the joint or-
14 ganization of the participating countries referred to in
15 subsection (b) of this section to ensure that each par-
16 ticipating country makes efficient use of the resources of
17 such country, including any commodities, facilities, or serv-
18 ices furnished under this Act, by observing and reviewing
19 such use through an effective follow-up system approved
20 by the joint organization.

21 MATERIALS REQUIRED BY THE UNITED STATES

22 SEC. 16. The Administrator, in furtherance of the pur-
23 poses of section 15 (b) (5), and in agreement with a par-
24 ticipating country, may promote, by means of funds made
25 available for the purposes of this Act, an increase in the

1 production in such participating country of materials which
2 are required by the United States as a result of deficiencies
3 or potential deficiencies in the resources within the United
4 States.

5 TERMINATION OF ASSISTANCE

6 SEC. 17. The Administrator, in determining the form
7 and measure of assistance provided under this Act to any
8 participating country, shall take into account the extent to
9 which such country is complying with its undertakings em-
10 bodied in its pledges to other participating countries and
11 in its agreement concluded with the United States under
12 section 15. The Administrator shall terminate the provision
13 of assistance under this Act to any participating country
14 whenever he determines that (1) such country is not adher-
15 ing to its agreement concluded under section 15, or is divert-
16 ing from the purposes of this Act assistance provided
17 hereunder, and that in the circumstances remedial action
18 other than termination will not more effectively promote
19 the purposes of this Act or (2) because of changed con-
20 ditions, assistance is no longer consistent with the national
21 interest of the United States.

22 EXEMPTION FROM CONTRACT AND ACCOUNTING LAWS

23 SEC. 18. When the President determines it to be in
24 furtherance of the purposes of this Act, the functions author-
25 ized under this Act may be performed without regard to

1 such provisions of law regulating the making, performance,
2 amendment, or modification of contracts and the expendi-
3 ture of Government funds as the President may specify.

4 EXEMPTION FROM CERTAIN FEDERAL LAWS RELATING TO

5 EMPLOYMENT

6 SEC. 19. Service of an individual as a member of the
7 Public Advisory Board (other than the Administrator)
8 created by section 7 (a), as a member of an advisory
9 committee appointed pursuant to section 7 (b), as an expert
10 or consultant under section 4 (d), or as an expert, con-
11 sultant, or technician under section 23 (d), shall not be
12 considered as service or employment bringing such indi-
13 vidual within the provisions of sections 109 or 113 of the
14 Criminal Code (U. S. C., title 18, secs. 198 and 203), of
15 section 190 of the Revised Statutes (U. S. C., title 5, sec.
16 99), or of section 19 (e) of the Contract Settlement Act
17 of 1944, or of any other Federal law imposing restrictions,
18 requirements, or penalties in relation to the employment of
19 persons, the performance of services, or the payment or
20 receipt of compensation in connection with any claim, pro-
21 ceeding, or matter involving the United States.

22 UNITED NATIONS

23 SEC. 20. (a) The President is authorized to request
24 the cooperation of or the use of the services and facilities
25 of the United Nations, its organs and specialized agen-

1 cies, or other international organizations, in carrying out the
2 purposes of this Act, and may make payments, by advance-
3 ments or reimbursements, for such purpose, out of funds
4 made available for the purposes of this Act, as may be neces-
5 sary therefor, to the extent that special compensation is
6 usually required for such services and facilities.

7 (b) The President shall cause to be transmitted to the
8 Secretary General of the United Nations copies of reports
9 to Congress on the operations conducted under this Act.

10 (c) Any agreements concluded between the United
11 States and participating countries, or groups of such coun-
12 tries, in implementation of the purposes of this Act, shall be
13 registered with the United Nations if such registration is
14 required by the Charter of the United Nations.

15 TERMINATION OF PROGRAM

16 SEC. 21. (a) After June 30, 1952, or after the date of
17 the passage of a concurrent resolution by the two Houses of
18 Congress before such date, which declares that the powers
19 conferred on the Administrator by or pursuant to subsection
20 (a) of section 11 of this Act are no longer necessary for the
21 accomplishment of the purposes of this Act, whichever shall
22 first occur, none of the functions authorized under such pro-
23 visions may be exercised; except that during the twelve
24 months following such date commodities and services with
25 respect to which the Administrator had, prior to such date,

1 authorized procurement for, shipment to, or delivery in a par-
2 ticipating country, may be transferred to such country, and
3 funds appropriated under authority of this Act may be obli-
4 gated during such twelve-month period for the necessary ex-
5 penses of procurement, shipment, delivery, and other activi-
6 ties essential to such transfer, and shall remain available
7 during such period for the necessary expenses of liquidating
8 operations under this Act.

9 (b) At such time as the President shall find appro-
10 priate after such date, and prior to the expiration of the
11 twelve months following such date, the powers, duties, and
12 authority of the Administrator under this Act may be
13 transferred to such other departments, agencies, or estab-
14 lishments of the Government as the President shall specify,
15 and the relevant funds, records, and personnel of the Admin-
16 istration may be transferred to the departments, agencies,
17 or establishments to which the related functions are
18 transferred.

19 REPORTS TO CONGRESS

20 SEC. 22. The President from time to time, but not less
21 frequently than once every calendar quarter through June
22 30, 1952, and once every year thereafter until all opera-
23 tions under this Act have been completed, shall transmit
24 to the Congress a report of operations under this Act.
25 Reports provided for under this section shall be transmitted

1 to the Secretary of the Senate or the Clerk of the House of
2 Representatives, as the case may be, if the Senate or the
3 House of Representatives, as the case may be, is not in session.

4 JOINT CONGRESSIONAL COMMITTEE

5 SEC. 23. (a) There is hereby established a joint con-
6 gressional committee to be known as the Joint Committee
7 on Foreign Economic Cooperation (hereinafter referred to
8 as the committee), and to be composed of seven Members
9 of the Senate to be appointed by the President of the Senate,
10 and seven Members of the House of Representatives to be
11 appointed by the Speaker of the House. In each instance,
12 not more than four members shall be members of the same
13 political party. A vacancy in the membership of the com-
14 mittee shall be filled in the same manner as the original
15 selection. The President of the Senate and the Speaker of
16 the House, acting jointly, shall appoint a chairman and a
17 vice chairman from among the members of the committee.

18 (b) It shall be the function of the committee to make a
19 continuous study of the programs of United States economic
20 assistance to foreign countries, and to review the progress
21 achieved in the execution and administration of such pro-
22 grams. Upon request, the committee shall aid the several
23 standing committees of the Congress having legislative juris-
24 diction over any part of the programs of United States
25 economic assistance to foreign countries; and it shall make a

1 report to the Senate and the House of Representatives, from
2 time to time, concerning the results of its studies, together
3 with such recommendations as it may deem desirable. The
4 Administrator, at the request of the committee, shall consult
5 with the committee from time to time with respect to his
6 activities under this Act.

7 (c) The committee, or any duly authorized subcom-
8 mittee thereof, is authorized to hold such hearings, to sit and
9 act at such times and places, to require by subpoena or other-
10 wise the attendance of such witnesses and the production of
11 such books, papers, and documents, to administer such oaths,
12 to take such testimony, to procure such printing and binding,
13 and to make such expenditures as it deems advisable. The
14 cost of stenographic services to report such hearings shall
15 not be in excess of 25 cents per hundred words. The pro-
16 visions of sections 102 to 104, inclusive, of the Revised
17 Statutes shall apply in case of any failure of any witness
18 to comply with any subpoena or to testify when summoned
19 under authority of this subsection.

20 (d) The committee is authorized to appoint and, with-
21 out regard to the Classification Act of 1923, as amended, fix
22 the compensation of such experts, consultants, technicians,
23 and organizations thereof, and, clerical and stenographic
24 assistants as it deems necessary and advisable.

25 (e) There are hereby authorized to be appropriated

1 such sums as may be necessary to carry out the provisions of
2 this section, to be disbursed by the Secretary of the Senate
3 on vouchers signed by the chairman.

4 SEPARABILITY CLAUSE

5 SEC. 24. If any provision of this Act or the applica-
6 tion of such provision to any circumstances or persons shall
7 be held invalid, the validity of the remainder of the Act
8 and the applicability of such provision to other circumstances
9 or persons shall not be affected thereby.

A BILL

To promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

By Mr. VANDENBERG and Mr. CONNALLY

FEBRUARY 23 (legislative day, FEBRUARY 2), 1948

Read twice and referred to the Committee on
Foreign Relations

Feb. 26

DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued February 27, 1948
For actions of February 26, 1948
80th-2nd, No. 36

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HIGHLIGHTS: Senate passed measure authorizing grain allocation for alcohol. Senate committee reported urgent deficiency appropriation bill which includes items for BE&PQ and FS; added funds for school-lunch program. Senate committee reported foreign-aid bill. Senate agreed to conference report on bill amending Civil Service Retirement Act. Sen. Morse opposed discontinuance of Ft. Reno (Okla.) in proposed transfer of Remount Service from Army Department to USDA. House committee reported foot-and-mouth disease research bill. House completed Congressional action on bill to continue until May 31, 1948 export-import controls and allocation powers.

SENATE

1. **GRAIN ALLOCATION.** Passed with amendments S.J.Res. 186, to authorize allocation and inventory control of grain for the production of ethyl alcohol (pp. 1814-24).

Agreed (54-16) to an amendment by Sen. Cooper, Ky. (for himself and Sen. Barkley, Ky.) to provide that "subject to the requirement that the minimum allotment to any distilling plant shall be 6,000 bushels per month, the percentage of the total monthly allocation of grain allotted to a distiller used of the total amount of grain which that distiller used of the total number of bushels used for distilling by the entire distilling industry from December 1, 1946, to June 30, 1947, inclusive."

Rejected an amendment by Sen. Kilgore, W.Va., to set Jan. 31, 1949, as the expiration date (p. 1824).

The measure provides for allocation until Oct. 31, 1948, of not less than 2½ million bushels of grain per month and a 6,000-bushel minimum would be allowed to each plant, with transfers only in cases of "exceptional or unreasonable hardship," and the entire program would be terminated if corn prices reach support price level for a period of 20 days.

2. **PERSONNEL; RETIREMENT.** Agreed to the conference report on H.R. 4127, to amend the Civil Service Retirement Act (pp. 1795-809). For a summary of the provisions of the conference agreement see Digests 28 and 29. The bill will now be sent to the President.

3. FOREIGN AID. The Foreign Relations Committee reported without amendment S.2202 to promote the general welfare, national interest, and foreign policy of the U.S. through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world (S. Rept. 935) (p. 1786). Sen. Vandenberg, Mich., announced that the report is not to be printed until Saturday and will probably be available Monday, and that it is his understanding that the Senate will begin consideration of the bill on Monday, Mar. 1 (p. 1786).

The bill, a proposed Economic Cooperation Act of 1948, contains the following provisions: Establishes an Economic Cooperation Administration to be headed by an Administrator with Cabinet rank to be appointed by the President and confirmed by the Senate. Limits to 60 the number of employees who may be appointed under the act without regard to the Classification Act of 1923, not more than 10 of whom may be compensated at a rate in excess of \$10,000 per annum and not in excess of \$15,000. The Administrator is authorized to review and appraise requirements of participating countries, formulate programs of U.S. assistance under the act, provide for efficient execution of such programs, and terminate assistance to the several countries. Directs the Administrator and Secretary of State to keep each other informed on matters within their respective scope of duties and, in differences of views not adjustable by consultation, to refer the matter to the President for decision. Includes the Administrator as a member of the National Advisory Council on International Monetary and Financial Problems. Creates a Public Advisory Board to be composed of the Administrator and 12 members appointed by the President and confirmed by the Senate and who shall be other than officers or employees of the U.S. Provides for a U.S. Special Representative in Europe. Establishes in each participating country, except occupied German zones and Trieste, a special mission for economic cooperation. Authorizes the Administrator to provide assistance through procurement from any source, including Government stocks, of any commodity he determines to be required; processing, storing, transporting and repairing any commodities; procurement of and furnishing technical information; with the President's approval, placing in operating condition and chartering to participating countries not more than 300 dry-cargo U.S. merchant vessels for period extending not longer than Dec. 31, 1952; or transfer of any commodity or service. Authorizes the Administrator to establish accounts against which participating countries may issue letters of commitment or make withdrawals; utilize services and facilities of any Government department or agency; make guaranties to any person of investments in connection with approved projects. Provides that assistance may be made through grants or upon payment in cash, or on credit terms. Directs that the Administrator shall procure commodities in the U.S. in such a way as to minimize the drain upon U.S. resources and the impact upon domestic economy and so as to avoid impairing fulfillment of vital needs of the people of the U. S.; to procure petroleum and its products to the maximum extent possible from outside the U.S.; and, in procuring agricultural commodities in short supply within the U.S., provide for procurement in amounts in approximate proportion to the total exportable supply of each class or type of such commodity. Provides for reimbursement to other Government departments and agencies for commodities, services, etc., and disposal of any commodity in lieu of transfer of such commodity to a participating country. Authorizes an RFC advance of \$1,000,000,000 pending appropriation of the authorized amount of \$5,300,000,000 for one year for the program. Authorizes the Secretary of State to conclude bilateral and multilateral agreements with the participating countries. Authorizes the Administrator to terminate assistance to a participating country where a country does not adhere to its agreement or because of changed conditions, assistance

is no longer required. Provides for termination of the program on June 30, 1952, or by concurrent resolution of the Congress. Establishes a Joint Committee on Foreign Economic Cooperation to make a continuous study of the programs under the act.

4. URGENT DEFICIENCY APPROPRIATION BILL, 1948. The Appropriations Committee reported with amendments this bill, H.R. 5525, which includes funds for BE&P and the Forest Service (S.Rept. 936) (p. 1786). The "Daily Digest" states that there was an increase of \$6,000,000 for the School-lunch program (p.D162). A detailed statement of changes made by the Senate Committee will be made in the next issue of this Digest.
5. REMOUNT SERVICE. Sen. Morse, Ore., spoke in favor of H.R. 3484, to transfer the Remount Service from the Army Department to USDA, stated that he was in "complete, unalterable disagreement" with Sen. Thomas, Okla., regarding the proposal that one of the stations, Ft. Reno, Okla., be divided into 160-acre tracts and sold under provisions of the Bankhead-Jones Farm Tenant Act (p.1830).
- ST. LAWRENCE WATERWAY. Sen. Lodge, Mass., inserted a N.Y. Times editorial claiming that the case for this project "is far from being clear" (p. 1790).
Sen. Wiley, Wis., inserted several letters from persons and organizations favoring the St. Lawrence Waterway (pp. 1794-5).
Sen. Byrd, Va., spoke in favor of this project (pp. 1809-14).
7. EDUCATION. Sen. Holland, Fla., spoke in favor of his resolution, S.J.Res.191, to give consent of Congress to the compact on regional education entered into among the Southern States on Feb. 8, 1948 (pp. 1790-1).

HOUSE

8. FOOT-AND-MOUTH DISEASE. The Agriculture Committee reported with amendment H.R. 5098, to enable the Secretary of Agriculture to conduct research on foot-and-mouth disease (H.Rept. 1425) (p. 1877).
Both Houses received from this Department the report on cooperation with Mexico in the control and eradication of the foot-and-mouth disease. To House Agriculture and Senate Agriculture and Forestry Committees. (pp. 1785, 1877).
9. EXPORT-IMPORT CONTROLS; ALLOCATIONS. Agreed to the Senate amendment to H.R. 5391, to continue allocation powers over certain materials, including tin; import controls over fats and oils, rice, nitrogen fertilizers, etc.; and export controls over certain fibers, petroleum, etc. under the Second Decontrol Act of 1947 (p. 1870). This bill will now be sent to the President.
10. LEGISLATIVE BUDGET. The Rules Committee reported a resolution for the consideration of S.Con. Res. 42, the legislative budget (pp. 1870, 1877).
Majority Leader Halleck announced that the legislative budget would be taken up today, Feb. 27 (p. 1870).
11. ARMY DEPARTMENT CIVIL FUNCTIONS APPROPRIATION BILL, 1949. Passed as reported this bill, H.R. 5524 (pp. 1835-69). During the debate Rep. Bryson, S.C., urged repeal of oleomargarine taxes and stated that "the margarine law has not increased the supply of butter...has not made butter cheaper...has not checked the steadily mounting consumption of margarine nor its recognition by science and food experts alike as a pure and nutritious food" (pp. 1855-7).
12. WATER TRANSPORTATION. Rep. Rankin, Miss., urged provision for the Tennessee-Tombigbee inland waterway (p. 1834).

13. FOREIGN AID. Received from the State Department a draft of a proposed bill to amend "An Act to provide for assistance to Greece and Turkey." To Foreign Affairs Committee. (p. 1877.)
14. PERSONNEL. The Post Office and Civil Service Committee submitted a preliminary report on the Federal efficiency-rating system (H.Rept. 1428) (p. 1877).
15. PENALTY MAIL. The Post Office and Civil Service Committee submitted its report on the use of penalty mail for the period July 1 to Sept. 30, 1947 (H.Rept. 1427) (p. 1877).

BILLS INTRODUCED

16. GRAIN ALLOCATIONS. H.R. 5582, by Rep. Kunkel, Pa., to amend Public 394, 80th Cong., so as to grant temporary authority with respect to allocation and inventory control of grain for the production of ethyl alcohol. To Banking and Currency Committee. (p. 1877.)
17. PERSONNEL. H.R. 5576, by Rep. Jones, Wash., to provide for automatic increases in compensation, in certain cases, for persons with temporary indefinite appointments. To Post Office and Civil Service Committee. (p. 1877.)
18. DAYLIGHT SAVING TIME. S. 2226, by Sen. Reed, Kans., "to amend an act to save daylight and to provide uniform time for the U.S. To Interstate and Foreign Commerce Committee. (p. 1786.)
19. SMALL BUSINESS. S. 2227, by Sen. Murray, Mont., to preserve small businesses within the framework of the antitrust laws, as applied to the distribution of products and wholesale pricing therefor. To Judiciary Committee. (p. 1786.) Remarks of author. (pp. 1786-8).
20. CROP INSURANCE. H.R. 5564 (see Digest 35) would amend Sec. 508 of the Federal Crop Insurance Act so as to provide that loss of crops need not occur in the field in order that insurance may be operative.

ITEMS IN APPENDIX

21. FORESTS AND FORESTRY: Rep. Gavin, Pa., inserted his statement before the Appropriations Committee complimenting the Forest Service on national programs of forest conservation (pp. A1196-9).
Rep. Stewart, Tenn., inserted Judge Burruss' (Obion Co., Tenn.) address discussing the need for changes in our Federal road laws (p. A1211).
22. RURAL ELECTRIFICATION. Extension of remarks of Rep. Vursell, Ill., criticizing the proposed amendment to the Urgent Deficiency bill for \$300,000,000 additional for REA, and stating that the fund should be requested and considered by the Appropriations Committee in the usual way (p. A1219).
Extension of remarks of Rep. Johnson, Tex., favoring additional appropriations for REA (p. A1221).
23. FARM LOANS. Sen. Hoey, N.C., inserted a Cleveland Times article citing the record of 18 farm families who have purchased farms under the FHA program and are successfully meeting their obligations (pp. A1210-1).
24. ELECTRIFICATION. Sen. Bridges, N.H., inserted an opinion of the TVA General Counsel on the constitutionality of TVA's construction of the proposed New Johnsonville steam plant (pp. A1205-8).

EUROPEAN RECOVERY PROGRAM

REPORT OF THE COMMITTEE ON FOREIGN RELATIONS ON S. 2202

A BILL TO PROMOTE THE GENERAL WELFARE,
NATIONAL INTEREST, AND FOREIGN POLICY
OF THE UNITED STATES THROUGH NECESSARY
ECONOMIC AND FINANCIAL ASSISTANCE TO
FOREIGN COUNTRIES WHICH UNDERTAKE TO
COOPERATE WITH EACH OTHER IN THE ESTAB-
LISHMENT AND MAINTENANCE OF ECONOMIC
CONDITIONS ESSENTIAL TO A PEACEFUL AND
PROSPEROUS WORLD



FEBRUARY 26 (legislative day, FEBRUARY 2), 1948.—Ordered to be
printed with an illustration

UNITED STATES
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—From New York Times.

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EUROPEAN RECOVERY PROGRAM

FEBRUARY 27 (legislative day, FEBRUARY 2), 1948.—Ordered to be printed
with an illustration

Mr. VANDENBERG, from the Committee on Foreign Relations, submitted the following

REPORT

[To accompany S. 2202]

The Committee on Foreign Relations, having had under consideration a bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries, unanimously report the bill favorably to the Senate, without amendment, and recommend that it do pass.

MAIN PURPOSE OF THE BILL

This bill provides for the participation of the United States in a European recovery program for approximately a 4-year period. It is a major step in the development and promotion of a peaceful and prosperous world which is the principal objective of United States foreign policy. The authorization for the first year is 5.3 billion dollars, 1 billion of which may be advanced by the Reconstruction Finance Corporation pending congressional action on appropriations. The assistance contemplated, which will involve both loans and grants, will not be confined to relief commodities; the program is designed to help European nations to help themselves to recovery in such a way as to become independent of outside assistance. A new agency, the Economic Cooperation Administration, headed by an Administrator, will be established to administer the program at home and abroad. The bill contains ample safeguards and conditions in order to insure that the money appropriated will be properly administered and wisely spent and that the domestic economy of the United States will not be impaired. Assistance extended by the United States will be contingent upon the continuous cooperation of the participating countries. Except for liquidation purposes the program will terminate on June 30, 1952.

INTRODUCTION

The American people, victorious in battle, look out upon a world disrupted by war and shaken by its aftermath. Our efforts to win back to peace have included unswerving support of the United Nations, as well as generous assistance to foreign countries in need of aid. The decision which must now be made is whether we shall continue the effort to achieve our goal: The establishment of a stable world with free political institutions and the rule of law. Events of the next few years may well decide the issue. World stability and European stability are inseparable; free institutions and genuine independence cannot perish in Europe and be secure in the rest of the world. We must therefore shape our course upon the basis of our determination whether the countries of Europe can preserve their liberties and independence if they do not achieve economic recovery.

The committee is convinced they cannot. In the light of this conviction, it has given earnest consideration to the form and scope of a program of American assistance based upon and flowing from a European recovery program of self-help and mutual aid.

Sixteen European countries have come forward with such a program, designed to achieve genuine recovery within approximately 4 years.

This report analyzes in some detail the conclusions of the committee, based upon its study, and offers the recommendations of the committee with respect to the Economic Cooperation Act of 1948.

PART I. BACKGROUND DEVELOPMENTS

1. EVENTS LEADING UP TO THE PRESENT SITUATION

During the summer of 1947, when UNRRA expired, Europe had not achieved a condition of economic and political stability. Not only did the extreme cold of last winter curtail European crops, but they were even more severely affected by the severe drought of the summer just passed. Moreover, the international monetary system was thrown out of balance by the rapidly rising cost of imports and the suspension of the convertibility of the pound sterling. These developments made it particularly difficult for the countries of Europe to secure needed supplies.

In order to alleviate immediate suffering and to pave the way for later long-range action, on November 17, 1947, President Truman called Congress into special session to deal with "the rise in prices * * * (and) * * * the crisis in western Europe." Congress met his request in December and provided funds for interim aid to France, Italy and Austria until April 1, 1948, when it was expected that the long-range program would be in operation.

The present legislation was anticipated by two addresses, one by Under Secretary of State Dean Acheson, on May 8, 1947, the second by Secretary of State George C. Marshall, on June 5, 1947, in which both indicated that the United States stood ready to consider how far she might be able to help Europe help herself on the road to recovery. On July 11, 1947, 16 western European nations on their own initiative responded to the suggestion, and met in Paris to prepare a report setting forth their needs and their willingness to cooperate in a joint recovery program. Meanwhile, United States agencies,

Members of Congress traveling abroad, and special committees appointed by the President, studied the needs of the European nations, and the impact of the contemplated assistance upon our resources and upon our domestic economy. On December 19, 1947, President Truman sent his special message to Congress on the situation in Europe, requesting relief in the amount of \$17,000,000,000 for a period to run from April 1, 1948, to June 30, 1952, with a recommendation for an appropriation of \$6,800,000,000 for the 15-month period running from April 1, 1948, to June 30, 1949. The President also made a number of recommendations as to administration, the types of agreements to be made, and the financial arrangements which were to be embodied in the new program.

2. THE COMMITTEE HEARINGS

The committee conducted hearings on the European recovery program from January 8 to February 5, inclusive. On January 8 Secretary of State George C. Marshall accompanied by Ambassador Lewis W. Douglas and members of the State Department staff presented the program in general terms and urged the speedy passage of the draft bill which he presented for legislative consideration. On following days Ambassador Douglas returned to analyze in detail the political, economic, and administrative problems involved in a recovery program.

On January 12 Secretary of Commerce W. Averell Harriman presented the findings of the Harriman committee, discussing in detail the impact of the program upon the United States economy and other related matters. On January 13 Secretary of Agriculture Clinton P. Anderson described the food and agricultural parts of the recommended program and pointed out what they would mean to the farmers and consumers of the United States. On the same day Secretary of the Interior Julius A. Krug presented an analysis of the findings of the Krug committee on national resources and foreign aid with particular emphasis upon the effect of the recovery program upon certain commodities in short supply.

On January 14 Secretary of the Treasury John W. Snyder discussed the principal financial aspects of the program and the measures the participating countries would be expected to take. Mr. William M. Martin, Jr. explained the possible role of the Export-Import Bank in such a program. On the same day Secretary of the Army Kenneth C. Royall discussed the role of Germany in the rehabilitation of the European economy and the relationship of the European recovery program to the national defense. The list of Government witnesses was completed on January 15 when Secretary of Defense James V. Forrestal described the relationship of the recovery program to the security interests of the United States.

During the 3 weeks that followed, nearly 100 nongovernmental witnesses appeared before the committee. Included were representatives of many of our outstanding national organizations, spokesmen of business, labor, agricultural, veterans, religious, educational, and service groups. Included also were many outstanding individuals who appeared in their capacity as private citizens, such as John Foster Dulles, Bernard Baruch, and Robert M. La Follette.

Following the conclusion of the public hearings the committee met in executive session for an additional week to continue its consideration of the European recovery program, taking as a basis for discussion the draft proposal submitted by the Department of State. On the basis of information obtained during the hearings the committee proceeded to rewrite the bill, essentially altering it in many important particulars. On February 17 the committee concluded its deliberations and voted unanimously to report the bill favorably to the Senate.

As in the case of the Foreign Aid Act, the committee was greatly impressed with the thorough documentation which was available during its examination of the European recovery program. It is probable that no legislative proposal coming before the Congress has ever been accompanied by such thoroughly prepared documentary materials. In addition to the extensive documents submitted by the Department of State, the reports of the Paris Conference of the CEEC countries, the Nourse, Krug, and Harriman reports, the handbook on the European recovery program prepared by the staffs of the Senate Foreign Relations Committee and the House Foreign Affairs Committee, the special report of the Brookings Institution, and the numerous reports of the House Select Committee on Foreign Aid were all available. Added to these reports was a great deal of material which had been produced in the course of congressional experience with foreign-aid matters prior to 1948, such as discussions relating to UNRRA, interim aid, etc.

Particular reference should be made at this point to the report submitted by the Brookings Institution. Early in its consideration of the European recovery program it became apparent to the committee that the task of providing for a satisfactory administrative organization for such an important program would be extremely difficult. Accordingly, the Chairman of the Foreign Relations Committee invited the Brookings Institution to analyze the various proposals which had been advanced and to submit its findings and recommendations. On January 22 this report was completed. It served as a basis of discussion for the members of the committee and helped them arrive at a satisfactory solution.

The committee was likewise impressed by the fact that very few opposition witnesses appeared to testify against the bill. Representatives of labor and management alike warmly endorsed its objectives. All witnesses were heard who asked to be heard. A complete list of the witnesses who testified before the committee is attached as Appendix II of this report.

3. WHY EUROPE IS IN NEED AT THIS TIME

Economic nationalism, political tensions and uncertainty, war devastation, the prolonged interruption of international trade, the loss of foreign income and dollar funds, internal financial disequilibrium, shortage of supplies from southeast Asia, the wartime movement of peoples to certain areas of western Europe, and a 10-percent increase of population have all contributed to economic break-down in Europe. Germany, a focal point in the European economy, is paralyzed. Inflation is rampant. Subversive elements are hampering recovery and engineering social chaos.

Apart from this, Europe is suffering from invisible devastation—the loss of soil fertility, the deterioration of war-strained machinery, and the lowering of individual productive capacity because of exhaustion, hunger, and the loss of technical skills.

These factors aggravate historic economic difficulties in western Europe; a region which, with relatively slender natural resources, attempts to maintain a disproportionately large population by being an industrial workshop and commercial middleman for the rest of the world. According to the International Bank, the CEEC countries with twice the population of the United States have one-half our national income.

The physical volume of goods shipped from western Europe to the rest of the world in the prewar years did not equal in value the supplies which had to be obtained from outside. The difference was made up by the so-called invisible items in the trade balance—income from overseas investments, earnings from shipping, insurance and commercial financing, and the money spent by tourists. The war has upset this balance. Furthermore, the world-wide inflation since 1939 has increased the cost of European imports much more than it has increased the price she has been able to obtain for her exports.

The difficulty involved in rebuilding an intricate working system of business, professional, and financial relationships has been a major impediment to recovery.

Eastern Europe has suffered its own war devastation and large amounts of available exports have been exacted by the Soviet Union as reparations, as payment for occupation costs, or under enforced commercial agreements, thus weakening one source of supply and trading.

The residents in the CEEC countries in 1947 were living on an emergency subsistence level averaging 2,250 calories a day instead of their prewar diet of 2,800 calories or the 3,350 calories of the average American diet.

The bill in several ways recognizes the present needs but attempts rather to provide the breathing spell wherein western Europe, on its part, will take the joint measures to meet the basic difficulties lest they become chronic.

4. EUROPEAN PROGRESS TOWARD RECOVERY

Steady progress toward economic recovery has characterized the period since the end of the war. In mid-1947, however, the recovery process began to slow down. In part, this was the result of the unprecedentedly severe winter of 1946-47, followed by spring floods and summer drought, which compelled the countries to maintain unexpectedly high food imports and to cut down on other imports. Shortages of imported materials began to appear and to limit production in important industries. In part, it was also the result of cumulative fatigue; heavy reconstruction efforts in all countries were overtaxing people who for years had not had proper rest and nourishment. And, in part, it was the result of labor unrest, in many cases politically inspired for the very purpose of retarding recovery and prolonging economic difficulties by a party which thrives on distress.

However, for 1947 as a whole, national income in the participating countries as a group had reached 91 percent of the 1938 level. Owing to the increase in population, per capita national income was only 86 percent of the 1938 level. These over-all measures conceal, of course, wide variations between countries and between different branches of the economy within each country. In eight countries, industrial production in 1947 exceeded 1938 levels, and the average for all countries except Germany was approaching the 1938 level. Coal production had recovered well in most countries; the United Kingdom nearly achieved its target of 200,000,000 tons and has been able to resume coal exports of about 200,000 tons a week; French output slightly exceeded prewar; the smaller western European producers were almost back to 1938 levels; coal production in western Germany, however, was less than two-thirds of 1938 output.

The Continent's 1947 production of steel is estimated at slightly over 35,000,000 tons, or 63 percent of its prewar output. The average was brought down by western Germany, for production in the other participating countries was equal, on the average, to 1938. The United Kingdom reached its target of 14,000,000 tons, and France reached 93 percent of its 1938 production. In the case of Belgium-Luxemburg, 1947 production surpassed 1938.

Output of hydroelectric power in 1947 exceeded 1938 by nearly 40 percent. France has been particularly successful in increasing this important source of energy.

In most countries, agricultural production was severely affected by the weather in 1947 and averaged hardly more than four-fifths of 1938 output. This was especially serious because food consumption had dropped from a prewar average of about 2,900 calories to less than 2,500 calories, and the poor crops in 1947 meant that even the current level of food intake would be difficult to maintain. Great efforts have been and are being made by the participating countries to reduce their need for imported food. British farmers are now producing about half of the country's food requirements, as compared to a third before the war. The French Government has increased its bread-grain acreage goal for 1948 from 84 percent to 95 percent of prewar and is also expanding production in French North Africa. The United Kingdom and France are initiating programs for production of groundnuts in their overseas dependencies in order to reduce their need for imported fats and oils. All countries are taking measures to increase the use of farm machinery and of fertilizer in order to raise output while economizing on labor.

Although progress toward recovery has slowed down, the momentum has not been lost. Despite real difficulties, the efforts of the peoples of western Europe give support to the conclusion that their economy will respond to a recovery program over a period of several years and that the basic objectives of the production program appear to be attainable if the will to cooperate and to produce is vigorous.

5. EUROPEAN RECOVERY TARGETS

The committee appreciates that goals and targets, which seem optimistic to many American experts, are not the same as achievements; but it is worth while to record what the CEEC countries and

western Germany hope to achieve by the end of 1951. This program does not necessarily mean a recreating of all prewar conditions, some of which were admittedly undesirable.

The CEEC countries have set themselves the following aims to be achieved by the end of 1951:

(1) Restoration of prewar bread-grain production and of an intensive livestock economy.

(2) Increase of coal production to 584,000,000 tons yearly, an increase of 30,000,000 tons above the 1938 level.

(3) Expansion of electricity output by nearly 70,000,000,000 kilowatt-hours and an increase of generating capacity by 25,000,000 kilowatts, which is two-thirds above prewar.

(4) Development of oil-refining capacity to $2\frac{1}{2}$ times prewar.

(5) Increase in crude steel production to 55,000,000 tons yearly, or 20 percent above prewar.

(6) Expansion of inland transport to carry 25 percent more than prewar.

(7) Rehabilitation and restoration of the merchant fleets of the participating countries.

(8) Supply from European production of most of the capital equipment needed for these expansions.

The committee feels that the early months after the initiation of the program provide the most opportune time for putting vigorous measures into effect. Such national and cooperative action must be undertaken now, when levels of employment are high in almost all parts of the world. Certain of the production goals should be revised to enable greater concentration on the achievement of the food and coal targets and on the production for export goals. Full use must be made of existing capacity; bottlenecks must be eliminated. Schemes for the proper training of manpower can contribute greatly to the required result. There must be organizational skill and initiative. The resources of dependent territories must be better developed.

The estimates of this program presuppose a considerable reduction in the rate of capital development as compared with the CEEC statements. Essentiality must be measured in terms of the scarcity of the goods and of the urgency of the need for these goods before additional capacity is constructed. The rigor of certain estimates may be gaged to the fact that they assume exports to the Western Hemisphere in fiscal 1949 to be approximately as large in physical terms as those to the same area in 1938, even though the German contribution will be only a third as large and Austria and Italy will be below prewar performance.

So that our own vision is not clouded, and in fairness to the participating countries, it is entirely appropriate that the committee quote from the CEEC report at this point:

It is not only a problem of Europe and the American Continent; it is a problem of the balance of the whole world economy.

Further, while stating that in the initial period the contribution to this world problem which Europe can make by its own exertions is of prime importance, the report concludes:

But as the 4-year period develops, the world considerations rather than those of European production itself will be decisive.

6. MEASURES TAKEN BY THE PARTICIPATING COUNTRIES TO STRENGTHEN THEIR ECONOMIES

The committee has observed with satisfaction that since the Paris Conference last summer the participating countries have taken immediate steps to strengthen their economies and to cooperate with one another. The following examples may be cited:

1. The Financial Committee of the CEEC conference recommended the adoption of a proposal for setting off debits against credits in inter-European payments as a means of stimulating intra-European trade. The operation of a multilateral clearing arrangement was entrusted to the Bank for International Settlement. On January 19, 1948, the first inter-European clearing under the new system was announced.

2. The Study Committee of Customs Unions, established at the CEEC conference, is examining the possibility of establishing a common customs union among all the countries represented and appointed a tariff committee which is attempting to complete the preparation of a specimen common tariff.

3. In addition to the project for a general European customs union, there are several projects of more limited scope: (a) Denmark, Iceland, Norway, and Sweden; (b) France and Italy; (c) Greece and Turkey. The Benelux customs union entered into effect January 1, 1948.

4. Since the Paris Conference the CEEC countries have intensified their efforts to attain budgetary balance, reduce inflationary pressures in general, and restore confidence in their currency. This is strikingly illustrated by the vigorous and courageous actions taken by France and Italy in recent months.

5. A conference on manpower met in Rome and developed measures to utilize more effectively surplus manpower in such countries as Italy, to facilitate the movement of labor across international boundaries, and to improve occupational qualifications and training.

6. Five of the sixteen countries, not yet being members of the United Nations, are not members of the Economic Commission for Europe, but they have been invited to the committees of the Commission. It is planned to reestablish the prewar system for exchanging freight cars and to facilitate highway truck traffic.

In spite of these gains, it seems clear to the committee that the western European nations require an organization with wider powers and greater responsibilities than the Paris Conference. Such an organization might well have the responsibility for screening requirements and integrating production and investment programs and should be in a position to make positive proposals to its member governments for raising the productive efficiency of the western European economy. The vast potentialities of the dependent territories should be mobilized behind any program of European aid.

7. UNITED STATES ASSISTANCE TO EUROPE SINCE THE WAR

Since the end of the Second World War, the United States has extended assistance to Europe in the form of (1) repayable loans and credits, and (2) relief supplies and grants not requiring specific repayment. Most American assistance belongs to the first category.

Credits and loans.—Interest-bearing credits and loans include (1) the loan to the United Kingdom of \$3,750,000,000, authorized by Congress in July 1946; (2) two Export-Import Bank reconstruction loans to France, one of \$550,000,000 in September 1945, the second of \$650,000,000 in June 1946; (3) sale of United States surplus property abroad and surplus merchant vessels on long-term credit, to France at a credit of \$300,000,000, and to Italy at a credit of \$160,000,000 for purchase of surplus property in Europe, and \$42,000,000 to each for the purchase of merchant vessels; (4) lend-lease settlements and pipe-line credits. In the period from July 1, 1945, to June 30, 1947, the United States Government authorized repayable loans and credits to the Paris Conference countries of \$7,353,000,000 in all.

Grants and relief.—Grants and relief include (1) UNRRA, toward which the United States contributed \$2,700,000,000; (2) United States foreign-relief program, including an authorization of \$332,000,000 in July 1947, and a donation of \$15,000,000 to the International Children's Emergency Fund; (3) interim aid to Austria, France, and Italy, in the amount of \$522,000,000, enacted in December 1947; (4) Greek-Turkish aid, to the amount of \$400,000,000; (5) relief of occupied areas; (6) lend-lease aid not repayable. In the period from July 1, 1945, to June 30, 1947, the United States Government authorized assistance under the programs listed above of some \$1,943,000,000, allocable to certain of the Paris Conference countries. A further \$767,000,000 allocable to German relief, and \$481,000,000 not allocable to specific countries in Europe but intended almost entirely for the Paris Conference countries, were authorized, making a total of \$3,191,000,000, to which interim aid should be added, making the total as of December 31, 1947, \$3,788,000,000.

Thus loans, credits, grants, and relief to the Paris Conference countries and Germany authorized in the period July 1, 1945, to December 31, 1947, totaled a little over \$11,000,000,000.

These figures do not take into account remittances from private individuals and voluntary agencies in the United States, which in the year 1946 ran slightly more than half a billion dollars, a sum which it is estimated was equaled in 1947.

A break-down of United States loans, credits, grants, and relief contributions for the two fiscal years July 1, 1945, to June 30, 1947, is as follows:

TABLE A.—U. S. Government loans, property credits, and grants—Amount available, utilized, and unutilized, as of June 30, 1947, by type and country

[Millions of dollars]

Country	Amount available, July 1, 1945-June 30, 1947			Amount utilized, July 1, 1945-June 30, 1947			Unutilized balance, June 30, 1947		
	Total	Loans and property credits	Grants and other relief	Total	Loans and property credits	Grants and other relief	Total	Loans and property credits	Grants and other relief
Total.....	16,302	9,128	7,174	12,575	7,309	5,266	3,727	1,819	1,908
Europe.....	12,160	7,977	4,183	9,902	6,752	3,150	2,258	1,225	1,033
Paris Conference countries.....	9,331	7,388	1,943	7,828	6,414	1,414	1,503	974	529
Austria.....	195	11	184	140	1	139	54	9	45
Belgium and Luxembourg.....	210	149	61	210	149	61	15	15	---
Denmark.....	30	30	---	15	15	---	15	209	---
France.....	1,928	1,907	21	1,719	1,698	21	21	67	350
Greece.....	745	121	624	329	55	274	417	108	34
Italy.....	926	331	595	784	223	561	142	27	---
Netherlands.....	303	283	20	276	256	20	27	70	---
Norway.....	81	80	1	11	10	1	70	---	---
Sweden.....	1	1	1	1	1	1	---	---	---
Switzerland.....	2	---	2	2	---	---	---	---	---
Turkey.....	141	41	100	6	6	---	134	34	100
United Kingdom.....	4,769	4,435	334	4,334	4,000	334	435	435	---
Countries not at Paris Conference.....	2,305	546	1,759	1,866	337	1,529	439	209	230
Czechoslovakia.....	247	73	174	204	30	174	42	42	---
Finland.....	106	106	---	71	71	---	35	35	---
Germany.....	767	---	767	537	---	537	230	---	230
Hungary.....	37	37	---	10	10	---	27	27	---
Poland.....	439	90	349	379	30	349	60	60	---
U. S. S. R.....	410	242	168	364	196	168	45	45	---
Yugoslavia.....	301	---	301	301	---	301	---	---	---
Europe unallocable.....	522	41	481	207	---	207	315	41	274
Canada.....	46	46	---	12	12	---	6	6	---
Latin-American countries.....	473	229	22	206	184	22	289	289	---
China.....	1,328	229	1,099	1,262	163	1,099	66	66	---
Japan.....	606	15	591	398	7	391	208	8	200
Korea.....	170	25	145	48	3	45	122	22	100
Philippines.....	769	76	693	194	76	118	575	---	575
All other countries.....	367	332	35	169	134	35	198	198	---
Unallocable.....	411	6	405	406	---	405	6	6	---

TABLE B.—United States Government loans and property credits—Amount available, utilized, and unutilized, as of June 30, 1947, by type and country

[Millions of dollars]

Country	Amount available, July 1, 1945–June 30, 1947			Amount utilized, July 1, 1945–June 30, 1947			Unutilized balance, June 30, 1947		
	Total	Export-Import Bank and other loans	Property credits	Total	Export-Import Bank and other loans	Property credits	Total	Export-Import Bank and other loans	Property credits
Total.....	9,128	6,426	2,703	7,309	5,052	2,258	1,819	1,374	445
Europe.....	7,977	5,734	2,242	6,752	4,776	1,976	1,225	938	287
Paris Conference countries.....	7,388	5,544	1,845	6,414	4,689	1,725	974	855	120
Austria.....	11	1	10	1		1	9	1	9
Belgium and Luxembourg.....	149	100	49	149	100	49			
Denmark.....	30	20	10	15	15		15	5	10
France.....	1,907	1,200	707	1,698	998	700	209	202	7
Greece.....	121	25	96	55	5	50	67	20	46
Italy.....	331	130	202	223	24	199	108	106	2
Netherlands.....	283	205	78	256	197	59	27	8	19
Norway.....	80	50	30	10		10	70	50	20
Turkey.....	41	28	13	6		6	34	28	6
United Kingdom.....	4,435	3,785	650	4,000	3,350	650	435	435	
Countries not at Paris Conference.....	546	149	397	337	87	250	209	62	147
Czechoslovakia.....	73	23	50	30	22	8	42		42
Finland.....	106	81	26	71	58	13	35	23	13
Hungary.....	37	7	30	10		10	27	7	20
Poland.....	90	40	50	30		23	60	33	27
U. S. S. R.....	242		242	196	7	196	45		45
Europe, unallocable.....	41	41					41	41	
Canada.....	-6	-6		-12	-12		6	6	
Latin-American countries.....	473	394	79	184	149	35	289	245	44
China.....	229	98	131	163	60	103	66	38	28
Japan.....	15		15	7		7	8		8
Korea.....	25		25	3		3	22		22
Philippines.....	76	70	6	76	70	6			
All other countries.....	332	128	206	134	7	127	198	121	78
Unallocable.....	6	6					6	6	

TABLE C.—U. S. Government grants under other relief—Amount available, utilized, and unutilized, as of June 30, 1947, by type and country
[Millions of dollars]

Country	Amount available, July 1, 1945-June 30, 1947					Amount utilized, July 1, 1945-June 30, 1947					Unutilized balance, as of June 30, 1947				
	Total	UNRRA and post-UNRRA	Occu- pation pro- gram	Lend- lease	Other	Total	UNRRA and post-UNRRA	Occu- pation pro- gram	Lend- lease	Other	Total	UNRRA and post-UNRRA	Occu- pation pro- gram	Other	
Total	7,174	2,642	2,014	1,151	1,365	5,266	2,310	1,484	1,151	319	1,908	332	530	1,046	
Europe	4,183	1,973	1,219	420	570	3,150	1,641	989	420	99	1,033	332	230	471	
Paris Conference countries	1,943	802	285	420	436	1,414	673	285	420	35	529	129		400	
Austria	184	104	79			139	59	79			45	45			
Belgium and Luxembourg	61	1		60		61	1		60						
France	21	3		16	2	21	3		16	2					
Greece	624	321			303	274	271			3	350	50		300	
Italy	595	359	206		30	561	325	206		30	34	34			
Netherlands	20	1		19		20	1		19						
Norway	1	1				1	1								
Sweden	1	1				1	1								
Switzerland	2	2				2	2								
Turkey	100				100						100			100	
United Kingdom	334	9		325		334	9		325						
Countries not at Paris Conference	1,759	959	771		61	1,529	945	524		61	230		230		
Czechoslovakia	174	168			6	174	168			6					
Germany	767	13				537	13				230		230		
Poland	349	304	754		45	349	304	524		45					
U. S. S. R.	168	166			2	168	166		2	2					
Yugoslavia	301	283			8	301	283			8					
Europe unallocable	481	227	180		74	207	24	180		3	274	203		71	
Latin-American countries	22			5	17	22			5	17					
China	1,099	334		644	121	1,099	334		644	121					
Japan	591		591			391		391			200		200		
Korea	145		144			45	1	44			100		100		
Philippines	693	10	28			118	10	28		80	575			575	
All other countries	35	1	31		655	35	1	31		2					
Unallocable	405	324		79	2	405	324		79	2					

8. THE PARTICIPATING COUNTRIES

The 16 countries which attended the Paris Conference and signed the CEEC report are as follows: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxemburg, the Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom. A number of other states were invited but did not attend: Finland, Poland, Hungary, Rumania, Bulgaria, Yugoslavia, Czechoslovakia, and Russia.

In view of the cooperative nature of the recovery program, the committee believed the door should be left open for those other countries if they choose to enter. To this end, in addition to the CEEC signatories and western Germany, the act envisages the possibility of any other country wholly or partly in Europe, including Trieste and areas under international administration and control, becoming a participating country. Such countries must, however, adhere to a joint program for European recovery. Under the terms of the act the words "participating country" include its dependent areas.

Some criticism has been voiced because certain states like Portugal and Switzerland, which are in sound economic condition, are listed among the participating countries. The fact that a state is a "participating country" does not necessarily mean that it will receive assistance from the United States. The committee stressed the fact that some of the CEEC countries will not require any direct assistance from our Government and that they should be looked upon as co-operators in the program rather than recipients of our aid. Their contribution to European recovery will be considerable. When it is remembered how closely the participating countries are bound together by ties of trade and commerce it is evident why they must all be brought into the program and why they must all work together as a team if the goal of European recovery is to be realized.

Of all the sovereign states of Europe, Spain was the only one which was not extended an invitation to attend the Paris conference. From an economic point of view Spain might be able to make a contribution to such a program. On the other hand, due to the nature of the Franco regime and due to the resolutions adopted at various international conferences, the CEEC countries at the Paris conference did not believe it appropriate or consistent with the spirit of such resolutions to invite Spain to participate at that time. Whether she eventually takes part in the program will depend upon her own willingness to assume the obligations involved, the willingness of the participating countries to admit her, and the ability of Spain to conclude a satisfactory bilateral agreement with the United States.

PART II. THE ADMINISTRATION OF THE PROGRAM

A. THE ECONOMIC COOPERATION ADMINISTRATION

The committee agreed that the complex nature of the recovery program and the magnitude of the task to be performed called for the creation of a new and separate operating agency. Many of the activities contemplated partake of the character of a business enterprise. But the administration of such a program, with its wide

ramifications abroad, is much more than a business venture. It involves our relations with foreign nations and is, in many of its aspects, inextricably bound up with United States foreign policies at the highest level.

The problem before the committee, therefore, was to devise an administrative arrangement which would insure the smooth and effective operation of the business aspects of the enterprise without, at the same time, impinging upon the essential authority of the Secretary of State in the conduct of foreign relations.

The committee completely agreed with the Secretary of State that it would be unwise to place the agency in the Department of State. Such a move would impose upon the Secretary responsibility for duties of an operational nature, not within the normal range of the Department's activities and might, as a result, impair the execution of its policy functions. Under the circumstances a new and separate agency seemed to be a wise alternative.

It is also apparent that the form of the new agency must be such as to insure sufficient flexibility of structure and operations. For this reason some people have argued that a part of the program, at least, might be entrusted to a new organization with corporate structure comparable, in some degree, to the Reconstruction Finance Corporation. It is argued that such an organization could be given in its charter considerable flexibility, free from the normal governmental regulations relating to procurement, personnel, and auditing. In addition, it could be authorized to enter into contracts, settle claims, and in general resort to ordinary business practices in a program that is essentially of a business character.

It should be pointed out, however, that all of these advantages claimed for the corporate form can be obtained for the noncorporate form by making provision in the act for necessary exemptions with respect to procurement, personnel, and auditing. Moreover, in view of the importance of the program and its impact upon other agencies of the Government, the committee decided that there would be a real advantage in creating a new agency as an integral part of the executive branch on a plane with the 10 Cabinet departments.

As a result of these considerations the act provides for a new and separate agency with a noncorporate form. Considerable leeway has been given the agency with respect to the hiring and payment of personnel, accounting procedures and other related matters. And every effort has been made to insure smooth working relationships between the new agency and the existing departments and agencies of the Government.

10. THE ADMINISTRATOR

Closely related to the form of the new agency is the nature of the administrative direction or supervision provided for it. The choice facing the committee lay between direction by a single administrator or by a board or commission.

Fear has been expressed in some quarters that the appointment of a single administrator might result in the concentration of too much power in the hands of one individual. The committee felt strongly, however, that in a program of such magnitude, where speed of decision

and centralization of responsibility are essential, a single administrator would prove far more satisfactory than a board or commission.

The committee likewise agreed that the head of such an agency, if he is to perform his duties in an effective manner, must have a status that will place him upon a plane of equality with the heads of other departments and agencies of the Government with whom he must cooperate in developing his program. From time to time there may be unreconciled differences between these agencies. In order that such differences may be satisfactorily resolved, it is particularly essential that the Administrator of the new agency be given a position that would entitle him to have the same direct access to the President as the heads of the 10 Cabinet departments.

The bill covers these general principles in some detail. It vests the responsibilities and powers assigned the Economic Cooperation Administration in a single Administrator who is to be appointed by the President, with the advice and consent of the Senate. The Administrator will be responsible to the President, will perform his functions under the control of the President, and will have a status in the executive branch comparable to that of the head of an executive department.

In general, the Administrator will provide the central administrative direction for the program. Among other things, he will review the requirements for participating countries, formulate programs of United States assistance, provide for the execution of such programs, and terminate assistance according to the terms of the bill. The Administrator's functions will be examined in detail in other sections of this report.

Because of the nature of the program, the committee, throughout its deliberations, emphasized the fact that the Administrator would have to be given considerable authority to enable him to perform his functions effectively. Accordingly, the selection of the Administrator will have to be made with the greatest of care. He must be an able administrator, a dynamic leader, and cooperative in his approach to other agencies.

11. RELATIONS OF THE ADMINISTRATOR TO THE SECRETARY OF STATE

As has been pointed out above, the main problem facing the committee with respect to the administrative aspects of the recovery program was to devise a formula which would permit the Administrator to carry out his operating functions in an effective manner without impinging upon or impairing the authority of the Secretary of State in the conduct of foreign relations. Obviously the Secretary of State is vitally concerned with all operations under the program that may affect the foreign relations and policies of the United States. But experience during the war years, when interagency quarrels hampered the war effort, clearly demonstrated that it is impossible to draw a clean line between operations and foreign policy. The committee believes that the formula of cooperation outlined in the bill will result in the kind of concerted action between the Administrator and the Secretary of State that will strengthen rather than weaken the conduct of our foreign relations.

Under the terms of the bill the Secretary of State is authorized, in consultation with the Administrator, to conclude the basic agreements with the participating countries in furtherance of the purposes of this act. On his part, the Administrator is charged with responsibility for the central administrative direction of the program, including the formulation and execution of assistance programs, methods of financing, procurement, storage, and delivery of commodities, etc.

In order to avoid possible misunderstandings, the bill provides that the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other. Whenever the Secretary of State believes that any action, proposed action, or failure to act on the part of the Administrator is inconsistent with our foreign policy, he shall consult with the Administrator. If the differences are not adjusted by such consultation the matter will be referred to the President for final decision.

This procedure is somewhat comparable to the formula adopted by the Congress in the Atomic Energy Act of 1946. In case of differences the Secretary of State has a temporary veto over the actions of the Administrator with the President acting as the referee. It is unlikely that few, if any, such differences will ever reach the President's desk.

With respect to personnel the position of the Administrator is clear. He will possess the authority to recruit and to appoint personnel for service both at home and abroad and such personnel will be responsible to him for the performance of their duties. If the Administrator so desires he may recommend the appointment of personnel serving abroad to any class in the Foreign Service Reserve or staff.

12. RELATIONS OF THE ECONOMIC COOPERATION ADMINISTRATION WITH OTHER AGENCIES

The committee agreed that the Administrator would not find it necessary to create a large agency in order to perform his functions under the act, but should utilize the existing facilities of departments and agencies of the Government already engaged in such activities. Thus, in developing the financial aspects of the program, the Administrator will act in consultation with the National Advisory Council. Similarly with respect to the appraisal of European requirements, the availability of commodities, procurement, and other related matters, the Administrator will lean heavily upon the Departments of Agriculture, Treasury, Commerce, Interior, Army, Labor, and other agencies.

To insure the necessary cooperation without unduly imposing upon existing agencies, the bill authorizes the Administrator to utilize the facilities and services of any department or agency of the Government as the President shall direct, or with the consent of the head of such agency. Since ultimate responsibility for the program centers in the President it is not anticipated that any difficulties will arise on this score.

In the extension of loans to the participating countries the Administrator will utilize the facilities of the Export-Import Bank. Funds will be allocated for such purposes and the bank will make and administer the credit as directed, and on terms specified, by the

Administrator in consultation with the National Advisory Council. The role of the bank is thus a purely ministerial one.

One possible source of disagreement between the Economic Cooperation Administration and other agencies lies in the allocation of scarce commodities. Differences may well arise when the Administrator, as one of the claimants for such commodities, presents the requirements for his program to the Secretary of Commerce and the Secretary of Agriculture. In view of the fact that the European recovery program represents but one part of the total domestic and world supply picture, however, the committee considered it essential, in order to protect our own domestic economy, to leave the power of allocation in neutral hands rather than bestow it upon the Administrator who, as a claimant for a particular area, might tend to give undue emphasis to the needs of his own program. In the event agreement cannot be reached with respect to scarce materials, the matter would, of course, have to be referred to the President for final settlement.

13. SPECIAL ECA MISSIONS ABROAD

The bill also provides for the establishment of satisfactory working relations between the officials of the Economic Cooperation Administration abroad and our regular diplomatic representatives in the participating countries.

In the highly complicated task of formulating, carrying out, and reviewing assistance programs, the Administrator will need special representatives with a high degree of technical competence in each of the CEEC countries. Of necessity these representatives will be in intimate contact with many departments of the participating governments and, from time to time, will have to confer with the highest officials. Under such circumstances close working relations with our regular embassies and legations are absolutely essential.

Accordingly the bill provides for the establishment in each participating country of a special mission for economic cooperation. The chief of the mission, who will be second in rank to the chief of the United States diplomatic mission, will be appointed by the Administrator and be responsible to him. So that there will be no misunderstanding about division of labor, it is made clear that the chief of the special mission is responsible, in the country where he is stationed, for assuring the performance of operations under the act.

This does not mean that he should be permitted to take action which runs counter to the foreign policy objectives of the United States. Such a possibility is safeguarded by the provision that the chief of the special mission and the chief of the diplomatic mission will keep each other currently informed of their activities. This will enable the chief of the diplomatic mission to consult with the chief of the special mission whenever the former believes that any action or failure to act on the part of the special mission is inconsistent with our foreign policy. Differences of view which cannot be reconciled in the field will be referred to the Administrator and the Secretary of State for decision.

Given men of good will, working in the general interests of the United States and world peace, the committee strongly believes that this formula, while perhaps not the best which could be devised from a theoretical point of view, will in fact prove the most satisfactory basis for operating relations.

14. UNITED STATES SPECIAL REPRESENTATIVE ABROAD

This report has already emphasized the fact that the success of the recovery program will depend in large measure upon the effective cooperation of the participating countries. Such cooperation will develop, to a very great extent, through the activity of the continuing organization which the CEEC states have agreed to set up. The committee agreed that it was imperative for the United States to be adequately represented at such an organization.

In fact this will be the chief responsibility of the United States special representative in Europe provided for in section 8 of the bill. In addition, he will probably serve as a roving ambassador, discharging such additional responsibilities with respect to the recovery program as may be assigned him with the approval of the President. The committee believed it would be unwise to define the duties of the special representative in any detail at the present time. In general, however, the committee agreed that he might perform extremely valuable services in coordinating the activities of the chiefs of the special missions in the participating countries, and handling matters which require joint negotiations with two or more states and cannot therefore be handled in the normal way.

While the exact relationship between the special representative and the Secretary of State, the Administrator, the chiefs of the special missions and the chiefs of the diplomatic missions can only be worked out in practice, the bill provides that he must keep all these individuals informed of his activities. Moreover, he is to consult with the chiefs of the special missions who must give him whatever cooperation he may require for the performance of his duties under the act.

Clearly the special representative, like the Administrator, will be a key figure in the European recovery program. On his knowledge, skill, perseverance, and diplomacy much of the success of this joint enterprise will depend. Every effort should be made to find an individual who possesses the many qualifications necessary for this difficult undertaking.

15. THE PUBLIC ADVISORY BOARD

Because of the broad range of problems involved in the recovery program, the committee believed it highly desirable to create a public advisory board to advise with the Administrator with respect to basic policy matters. Two direct benefits will flow from such an arrangement. In the first place, an advisory board made up of eminent citizens with varied experiences and representing various interests, will be able to contribute many valuable suggestions and criticisms for the use of the Administrator. He will undoubtedly wish to lean heavily upon their counsel. In the second place, if the Administrator works closely with an advisory body consisting of representatives of labor, business, agriculture, and other interested groups, public confidence in the enterprise will be greatly augmented.

As provided in the bill the Public Advisory Council will be bipartisan and will consist of not more than 12 members appointed by the President and confirmed by the Senate. As the name indicates it is to function in an advisory capacity only. The act provides that

it shall meet at least once a month and at other times upon the call of the Administrator or the request of three or more of the Board members. The committee sincerely believes the Board will prove a valuable asset to the Administrator without constituting a burden upon his time.

The Administrator is also authorized to appoint such other advisory committees as he may consider necessary to carry out the purposes of the act. It is very probable, as the recovery program progresses, that the Administrator will find special advisory groups in industry, labor, agriculture, commerce, and other specialized fields of considerable assistance to him.

16. THE JOINT CONGRESSIONAL COMMITTEE

The European recovery program will be a gigantic enterprise. It will involve the cooperation and the resources of the United States. Its outcome will determine, to a very large extent, whether peace and prosperity will prevail in the western world. Its successful execution will be of continuing interest to the executive branch, the Congress, and the people of the United States for the next 4 years.

For these reasons the committee believed it would be highly desirable to establish a congressional committee to be known as the Joint Committee on Foreign Economic Cooperation. This joint committee will be bipartisan in character and will be made up of seven Members of the Senate and seven Members of the House. Its chairman and vice chairman will be appointed by the President of the Senate and the Speaker of the House acting jointly.

It will be the task of the joint committee to make a continuous study of United States foreign-aid programs and to review the progress achieved in the execution and administration of such programs. It will also, upon request, aid the standing committees of the Congress having legislative jurisdiction over the various aspects of foreign economic assistance. Finally, it will report to the Congress from time to time making such recommendations as it may deem desirable.

After careful consideration of the issues involved, the committee agreed that it would be most inadvisable to bestow legislative authority upon the joint committee. The recovery program will have many facets, both international and domestic. It will be related to foreign policy, shipping problems, export controls, farm production, stock piling, foreign trade, and financial policy—to mention only a few. To grant the joint committee legislative authority would compel it to invade the proper jurisdiction of many of the standing committees of the Congress.

The committee felt strongly, however, that the joint committee will serve as a useful mechanism to bridge the gap between the executive and legislative branches and thus help bring about that teamwork within our own Government which is essential if the program is to succeed. It is believed that the joint committee can play a very helpful role both in keeping the Congress informed and in advancing healthy criticisms and helpful suggestions for the use of the Administrator. The bill provides that the Administrator, at the request of the joint committee, shall consult with the committee from time to time with respect to his activities.

PART III. REQUIREMENTS OF THE PROGRAM AND AVAILABILITIES OF COMMODITIES

17. HOW THE REQUIREMENTS WERE SCREENED

Your committee considered with care the way in which the requirements of the participating countries were originally prepared by the Committee on European Economic Cooperation (CEEC) and the method by which they were screened by the executive branch.

Basic commodities and productive equipment which are essential to the reactivation of the European economy were subjected to careful study by committees composed of technical experts drawn from the participating countries. The CEEC established technical committees covering the fields of food and agriculture, fuel and power, iron and steel, transport, timber, and manpower. These technical committees collected exhaustive information from each of the participating countries and prepared technical reports based on an expert examination and evaluation of the materials bearing on their subject. Each of these technical reports outlines the nature of the commodity problem, establishes anticipated levels of production, estimates and justifies the amount of requirements needed to achieve the objectives of the program, and indicates the net amount of import requirements which the participating countries taken together will need from the rest of the world.

In addition to the technical committees mentioned above, the CEEC also formed a balance of payments committee to translate the net import requirements of the participating countries into financial terms and a committee of financial experts to examine ways and means of removing financial obstacles to intra-European trade.

The general report of the CEEC together with the detailed reports of the technical committees were transmitted to the United States Government on September 22, 1947.

The executive branch made a close analysis of the principal commodity requirements of the participating countries. The commodities and services selected for this detailed scrutiny were generally those which the CEEC regarded as the basic essentials for recovery and also those which involved difficult supply problems.

In these selected areas, the executive branch first examined the data presented in the CEEC reports to determine that, apart from supply considerations, the program was not based on unwarranted assumptions regarding levels of consumption or rates of new investment activity. Judgments based on expert knowledge and experience were required in each step of this process. The criteria adopted for this stage of the screening process, however, are easily explained. A requirement figure was regarded as unjustified until it could be demonstrated that the country concerned needed a commodity for its economic recovery or that it could not dispense with that commodity on any reasonable and practical standard of consumption consistent with the objective of European economic recovery. For example, on this basis the stated needs for certain types of heavy agricultural machinery were disregarded because it is believed that European farms are not large enough to permit them to be utilized effectively in promoting economic recovery.

Against these estimates of requirements as initially justified, the executive branch set its first approximation of availabilities. The primary figure in this estimate was domestic production in each of the participating countries. It was assumed that within practical limits, such as established trade relations, the surplus production of each participating country would be made available to others in the group. An examination was then made to determine the extent to which these net deficiencies between domestic production and requirements of the participating countries taken together could be obtained from the rest of the world.

If the net import deficits could not be met from world availabilities, a reexamination was made to ascertain whether or not requirements could be further scaled down or alleviated by substitute commodities without imperiling the objective of the program. The substitution of finished steel for crude and semifinished steel is an example of this procedure. In food, however, there was no choice but to cut requirements from the desirable level of food intake to the practical level dictated by supply scarcities.

In the process of making its estimates, the executive branch consulted for several weeks with technical representatives of the CEEC. In addition to the information obtained in the course of these discussions, the executive branch utilized information obtained from the participating countries' missions in the United States, our missions in the CEEC countries, the United Nations and its specialized agencies, the Krug, Nourse, and Harriman reports, from private citizens and business firms, and from the American press.

At the same time, Members and committees of the Congress were examining various aspects of the program in preparation for intensive hearings which would enable the Congress to enact sound legislation.

Admittedly, the committee had not the time, or resources, or technical competence necessary to make detailed investigations of each of the CEEC requirement figures. The committee was convinced, however, that the methods used by the executive branch in the screening process were sound, and had been applied by competent individuals in a scientific manner. The results of the screening are brought out in the following sections of the report.

18. REQUIREMENTS OF THE PARTICIPATING COUNTRIES

The committee has accepted generally the validity of the estimated requirements of the participating countries as screened and presented by the executive branch. The estimates and timetable (dating from April 1, 1948), far from being extravagant, seem to provide a tight fit in view of the far-reaching objective of economy recovery. The committee recognizes, furthermore, that in actual practice the Economic Cooperation Administration must keep its program of assistance flexible so that adjustments can be made from time to time in light of specific needs and supply considerations and subject to the general provisions of the bill.

The following table gives the exports from the Western Hemisphere of certain major commodities for the period April 1, 1948, to June 30, 1949. The financing of a substantial portion of these exports will require United States assistance under the program.

Estimated quantities of selected imports of the participating countries from the United States and other Western Hemisphere countries Apr. 1, 1948, to June 30, 1949

Commodity	Unit	From United States	From other Western Hemisphere	Total
Bread grains.....	Thousands of metric tons.....	8, 195	9, 165	17, 360
Coarse grains.....	do.....	1, 205	4, 055	5, 260
Fats and oils.....	do.....	182	388	570
Oilcake and meal.....	do.....	246	1, 468	1, 714
Sugar.....	do.....	180	2, 408	2, 588
Meat.....	do.....	30	1, 401	1, 431
Pulses.....	do.....	187	122	309
Dairy products.....	do.....	562	71	633
Eggs.....	do.....	60	95	155
Dried fruits.....	do.....	153	3	156
Fresh fruits.....	do.....	358	261	619
Coffee.....	do.....		275	275
Cocoa.....	do.....		65	65
Tobacco.....	do.....	256	42	298
Cotton.....	do.....	691	296	987
Nitrogen fertilizer.....	do.....	82	132	214
Agricultural machinery.....	Millions of dollars.....	136	22	158
Coal.....	Thousands of metric tons.....	43, 250		43, 250
Coal-mining machinery.....	Millions of dollars.....	82		82
Petroleum ¹	Thousands of metric tons.....	29, 274		29, 274
Timber.....	Thousands of cubic feet board measure.....	2, 310	6, 599	8, 909
Iron ore.....	Thousands of metric tons.....		1, 475	1, 475
Crude and semifinished steel.....	do.....	935	431	1, 366
Finished steel.....	do.....	2, 069		2, 069
Trucks.....	Thousands of units.....	67	11	78
Freight cars.....	do.....	20		20
Steel equipment.....	Millions of dollars.....	48		48
Timber equipment.....	do.....	17		17
Electrical equipment.....	do.....	95		95

¹ Includes imports of oil and petroleum products by participating countries from the United States and from American companies operating in the Caribbean, Middle East, and other areas outside the United States. It is expected that the proportion of these imports coming from the United States will be 20 to 30 percent in volume during the period Apr. 1, 1948, through June 30, 1949.

The principal requirements of the participating countries and western Germany for the 4 years 1948-51 from the United States as indicated in the CEEC report fall into four major categories: Food and fertilizer, 26.5 percent; coal and petroleum, 14.2 percent; iron and steel, 5.9 percent; timber, 2 percent; and equipment, 16.2 percent. This amounts to 64.8 percent of the total. The balance of the import requirements consists of a wide variety of specialty products, many of which are produced in quantity only in the United States.

The committee appreciates the fact that the executive branch has had to make reductions and substitutions in the estimates of net import requirements given in the CEEC report by determining the urgency of need of particular commodities, the size of the import requirements remaining after supplies from indigenous production are increased to practical limits and are properly utilized, and by judging the extent to which the United States can prudently and wisely undertake to meet those import requirements.

The reductions and substitutions made by the executive branch in the CEEC estimates are illustrated by the following tables:

Comparison of selected food and agricultural import requirements for 1948-49¹ as estimated by CEEC and by the executive branch (dependent overseas territories are not included)

Commodity	Unit	Estimated total import requirements		Executive branch estimate as percent of CEEC estimate
		CEEC	Executive branch	
Bread grains.....	Thousand metric tons.....	17,988	14,270	79
Coarse grains.....	do.....	9,349	5,700	61
Fats and oils.....	do.....	2,968	2,464	83
Oilcake and meal.....	do.....	4,417	2,750	62
Sugar.....	do.....	3,053	3,056	100
Meat (including horse meat).....	do.....	2,603	1,933	74
Cheese.....	do.....	279	249	89
Processed milk.....	do.....	240	346	144
Eggs.....	do.....	346	209	60
Dried fruit and nuts.....	do.....	455	493	108
Rice.....	do.....	352	140	40
Coffee (green).....	do.....	422	435	103
Pulses.....	do.....		530	
Fresh fruits.....	do.....	2,811	2,818	100
Cocoa.....	do.....	338	276	82
Tobacco.....	do.....	247	328	133
Nitrogen fertilizer.....	do.....	297	180	61
Agricultural machinery.....	Million dollars.....	266	160	60

¹ CEEC estimated requirements for food and agricultural commodities were based on crop years, July 1 to June 30 of the following year. The first year of estimated requirements under the European recovery program was assumed by CEEC to relate to the crop year 1947-48. Requirements are larger in 1947-48 than in 1948-49 and following years. The CEEC assumed that full satisfaction of its 1947-48 requirements would result in much lower requirements in 1948-49 and later years. However, CEEC requirements for 1947-48 were in fact not met, and therefore the CEEC would probably want to revise its requirement estimates upward for 1948-49. In the table given above, the CEEC requirements relate to 1948-49 rather than to 1947-48. Since the 1948-49 CEEC requirements are lower than those for 1947-48, the extent to which the executive branch estimates of requirements differ from those of the CEEC is understated.

Comparison of certain selected import requirements from the United States for comparable 12-month periods as estimated by CEEC and by the executive branch (dependent overseas territories are not included)

Commodity	Unit	Import requirements from United States		Executive branch estimate as percent of CEEC estimate
		CEEC, calendar year 1948	Executive branch, fiscal year 1949	
Petroleum (from dollar sources) ¹	Thousand metric tons.....	23,766	19,542	82
Timber.....	Million board feet.....	789	789	100
Crude and semifinished steel.....	Thousand metric tons.....	2,040	748	37
Pig iron.....	do.....	182	35	19
Scrap (or pig-iron equivalent).....	do.....	1,399		0
Finished steel, other than sheets and tin plate. ²	do.....	449	1,150	256
Timber equipment ³	Million dollars.....	10.1	9.8	97
Electrical equipment.....	do.....	150	95	63
Freight cars.....	Thousand units.....	47	20	43
Steel plant and equipment.....	Million dollars.....	100	48	48

¹ Total imports from dollar sources, largely outside the continental United States.

² Executive branch estimates of finished-steel requirements of the participating countries from the United States take account of the anticipated deficits in pig iron, crude and semifinished steel, and scrap requirements of the participating countries. To the extent that availabilities in the United States permit, the executive branch has estimated that finished steel might offset in part the deficits in pig iron, scrap, and crude and semifinished steel. Taking these selected iron and steel products on a ton-for-ton basis, the executive branch estimated that 48 percent of CEEC requirements of 4,070,000,000 metric tons of iron and steel might be met.

³ Total timber equipment requirements in 1948, as estimated by the CEEC, are 16.4 million dollars, of which 6.3 million dollars were for dependent areas of the United Kingdom and France. In order to raise productivity in the timber-producing colonial areas, the executive branch estimated that 7.1 million dollars of timber equipment might be made available from the United States to these dependent areas in the fiscal year 1948-49.

The program as recommended by the executive branch and accepted by the committee is based upon detailed commodity and country studies.

The committee recognizes that it is difficult to be precise either as to the cost and composition of the import requirements or as to the level of dollar earnings achieved by exports and other dollar funds which the participating countries may be able to obtain from sources other than new United States Treasury funds. The following estimates for the 15-month period April 1, 1948, to June 30, 1949, however, were presented by the executive branch, and it is the committee's judgment that these estimates have generally withstood critical examination.

European Recovery Program Committee—Recapitulation table: Illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949 (at July 1, 1947, prices)

[In millions of dollars]

Import	Total imports	Possible sources and distribution of financing		
		Own resources	Sources other than United States funds	United States funds
Bread grains.....	1,600.3	138.8	336.7	1,124.8
Coarse grains.....	552.3	68.6	66.6	417.1
Fats and oils.....	378.4	29.2	76.2	273.0
Oilcake.....	190.7	17.4	33.3	140.0
Sugar.....	295.8	35.1	33.4	227.3
Meat.....	393.1	14.5	33.3	345.3
Dairy products.....	275.2	-----	-----	275.2
Eggs.....	85.3	6.7	-----	78.6
Dried fruit.....	34.3	2.8	-----	31.5
Rice.....	47.8	3.1	-----	44.7
Coffee.....	156.6	34.1	38.3	84.2
Other foods.....	168.0	23.5	-----	144.5
Subtotal.....	4,177.8	373.8	617.8	3,186.2
Tobacco.....	293.4	57.3	-----	236.1
Cotton.....	790.0	214.4	42.1	533.5
Nitrogen.....	42.8	5.2	-----	37.6
Phosphates.....	3.1	.5	-----	2.6
Potash.....	-----	-----	-----	-----
Agricultural machinery.....	158.7	12.6	12.9	133.2
Coal.....	389.3	13.5	-----	375.8
Mining machinery.....	81.9	1.0	2.9	78.0
Petroleum products.....	651.9	330.1	-----	321.8
Timber.....	333.4	185.7	16.0	131.7
Iron and steel:				
Finished.....	226.7	85.9	21.7	119.1
Crude and semifinished.....	86.2	57.4	-----	28.8
Pig iron.....	1.6	.2	-----	1.4
Scrap iron.....	2.0	-----	-----	2.0
Iron ore.....	8.8	-----	-----	8.8
Trucks.....	116.8	17.0	21.8	78.0
Freight cars.....	60.0	-----	-----	60.0
Steel equipment.....	48.1	-----	9.1	39.0
Timber equipment.....	17.0	.4	-----	16.6
Electrical equipment.....	95.0	5.0	6.0	84.0
Other imports.....	4,228.2	3,025.3	408.0	794.9
Total commodity imports.....	11,812.7	4,385.3	1,158.3	6,269.1
Net freight.....	827.0	235.5	-----	591.5
Other dollar payments.....	319.4	319.4	-----	-----
Total.....	12,959.1	4,940.2	1,158.3	6,860.6

The participating countries and western Germany, according to column 1 in the preceding table, will require imports from the Western Hemisphere amounting to \$12,959,000,000. The executive branch estimates that these countries as a group will export about \$4,940,000,000 of goods and services to the Western Hemisphere in the first period of 15 months. This estimate is indicated in column 2. The difference between column 1 and column 2, amounting to \$8,019,000,000, indicates the approximate net deficit which the participating countries and western Germany will probably incur on current account with the the Western Hemisphere. It should be emphasized at this point that the indicated net deficit of the participating countries with the Western Hemisphere is based on the assumption that these countries will engage in a vigorous domestic productive effort and will cooperate fully in measures of self-help and of mutual assistance, and will thus reduce their requirements from the Western Hemisphere to a minimum consistent with a true recovery program.

In addition to dollar earnings obtained through exports, the participating countries will also be expected to obtain funds from such sources as the International Bank and credits advanced by Western Hemisphere countries other than the United States. The amount of these funds, expressed in terms of July 1, 1947, prices, are indicated in column 3. The difference between net imports (column 1) and export proceeds plus borrowings from sources other than net United States Treasury funds (column 2 plus column 3) appears in column 4. About \$6,860,000,000, in terms of July 1, 1947, prices, will be needed to meet the uncovered import deficit of the participating countries and western Germany with the Western Hemisphere in the 15-month period.

This estimate of the uncovered deficit with the Western Hemisphere amounting to \$6,860,000,000 is reconciled with the executive branch's request for an authorization of \$6,800,000,000 in the following tabulation:

Goods to be purchased in Western Hemisphere with new United States funds (at July 1, 1947, prices), column 4 of recapitulation.....	<i>Millions</i> \$6, 860
Adjustments:	
Add adjustment for price increases ¹	\$182
Deduct savings on shipping ²	100
	<hr/> 382
Adjusted cost of commodities and shipping services to be purchased in Western Hemisphere with new United States funds.....	7, 242
Authority to obligate funds for procurement of items to be delivered in subsequent years.....	200
Uncovered deficit of bizonal Germany with nonparticipating countries outside the Western Hemisphere.....	200
	<hr/>
Total being requested for European recovery program and by Department of Army for Germany (GARIOA).....	7, 642
Deduct appropriations being requested by Department of Army for prevention of disease and unrest in Germany (GARIOA).....	. 822
	<hr/>
Total requirement for first 15 months, European recovery program.....	6, 820
Authorization requested for European recovery program (preceding line in rounded amount).....	6, 800

¹ This figure is equivalent to the adjustment for higher prices of \$565,000,000.

² These are possible savings if additional temporary transfers of bulk-cargo carriers are made.

The preceding tables have indicated the magnitude of the import requirements and possible sources of finances upon which the participating countries as a group might be able to draw. Each of the participating countries, however, has its particular import requirements from the Western Hemisphere, its possible sources of funds to finance those import requirements, and, finally, many of the countries have the particular problem of a net import deficit which requires a solution. The following table highlights these problems on a country-by-country basis:

TABLE 1.—*Recapitulation of tables showing illustrative composition of imports of commodities and services from Western Hemisphere and possible sources and distribution of financing, Apr. 1, 1948, to June 30, 1949*

[At July 1, 1947, prices]

	Total imports ¹	Possible sources of financing		
		Dollar earnings ²	Sources other than new United States funds	New United States funds ³
	Mils. of dols.	Mils. of dols.		Mils. of dols.
Austria.....	233	39	12	182
Belgium-Luxemburg.....	853	334	196	323
Denmark.....	237	45	28	164
Finland.....	1,931	369	128	1,434
Greece.....	262	67	9	186
Iceland.....	23	10	-----	13
Ireland.....	192	40	-----	152
Italy.....	1,160	183	108	869
Netherlands.....	1,136	271	160	705
Norway.....	253	163	56	34
Portugal.....	144	144	-----	-----
Sweden.....	499	423	43	33
Switzerland.....	535	535	-----	-----
Turkey.....	69	69	-----	-----
United Kingdom.....	4,311	2,133	418	1,760
Germany:				
Bizonia.....	1,014	100	-----	914
French zone.....	93	13	-----	80
Saar.....	14	3	-----	11
Total.....	12,959	4,941	1,158	³ 6,860

¹ Including net dollar payments for freight and other invisibles.

² Including drawings of \$72,000,000 by Portugal on its gold and foreign-exchange resources.

³ This column includes funds being requested by the Department of the Army for prevention of disease and unrest in Germany. A reconciliation with the \$6,800,000,000 being requested for the European recovery program is made elsewhere.

It must be emphasized, however, that the country-by-country distributions are very tentative and are not binding upon the Administrator. The amounts in column (4), which indicate the possible country distribution of new United States funds, do not necessarily represent the amount which each participating country would receive nor the terms on which such sums would be advanced by the Administrator.

It should be emphasized that the estimates given above are based on the assumption that certain of the participating countries, notably Portugal and Switzerland and possibly Turkey, will not require any financial assistance from the United States, either in the form of loans or of grants. Their participation in the program is based on their ability to assist in furthering the recovery objective and the advantages to them of general European economic recovery and

not on the basis of anticipated financial assistance from the United States.

19. THE BALANCE-OF-PAYMENTS SITUATION

The standard of living and the rate of economic development in Europe depend in the final analysis upon European production and resources. In the first period the amount of proposed outside assistance represents less than 5 or 6 percent of the estimated national income of the participating countries.

The "shortage of dollars" is basically the shortage of world production and trade to get dollars. For example, the European countries cannot, without frustrating recovery, produce enough goods and services to satisfy indigenous requirements and to export at a level equivalent to their total Western Hemisphere requirements amounting in the next 15 months to \$12,959,000,000.

The committee accepts the general reasoning of the program—that if the import requirements of the European countries are no less than the amount indicated above, and that if the assumed volume of exports is achieved, these countries will still be subjected to very severe strains even under the most favorable developments.

Without wishing to prejudge the figure of \$822,000,000 being requested separately for Germany by the Department of the Army, the following summary, including at the time of the committee's action the adjustment for price increases, appears to be realistic:

Summary of balance of payments deficit of the participating countries with the Western Hemisphere for the period Apr. 1, 1948–June 30, 1949, and proposed sources of financing

[In millions of dollars]¹

	United States	Other Western Hemisphere	Total Western Hemisphere
	<i>Mils. of dols.</i>	<i>Mils. of dols.</i>	<i>Mils. of dols.</i>
1. Selected imports.....	4,239	3,346	7,585
2. Other imports.....	2,750	1,478	4,228
3. Total imports.....	6,989	4,824	11,813
4. Selected exports.....	295	303	598
5. Other exports.....	1,960	1,455	3,415
6. Total exports.....	2,265	1,758	4,013
7. Merchandise balance.....	-4,734	-3,066	-7,800
8. Freight (net).....	-293	-145	-438
9. Other invisibles (net).....	+263	+13	+276
10. Balance (July 1, 1947, prices), break-down available by countries.....	-4,764	-3,198	-7,962
11. Adjustment for higher prices.....	-412	-153	-565
All above figures based on July 1, 1947, prices, as was CEEC. This adjustment allows for a 7½-percent rise in United States and 5 percent in other Western Hemisphere export prices, and a 5-percent rise in European export prices. The rise in prices may well be greater than this allowance covers.			
12. Adjusted balance.....	-5,176	-3,351	-8,527
13. Total deficit, Western Hemisphere.....			8,527
14. Uncovered deficit, bizonal Germany, with nonparticipating countries outside Western Hemisphere.....			200
15. Total to be financed.....			8,727
16. To be met by sources other than new U. S. Treasury financing.....			-1,285

Summary of balance of payments deficit of the participating countries with the Western Hemisphere for the period Apr. 1, 1948-June 30, 1949, and proposed sources of financing—Continued

[In millions of dollars]

	United States	Other Western Hemisphere	Total Western Hemisphere
	<i>Mils. of dols.</i>	<i>Mils. of dols.</i>	<i>Mils. of dols.</i>
17. Total new financing by U. S. Treasury.....			7,442
18. Appropriations being requested by Army for prevention of disease and unrest in Germany.....			-822
19. Subtotal.....			6,620
20. Add: Funds required for obligation prior to June 30, 1949, to cover contracts for shipments in subsequent period.....			200
21. Total requirement for first 15 months, ERP.....			6,820
Rounded to.....			6,800

The CEEC countries did not indicate that the assistance of the United States would be essential in meeting the deficits of the participating countries with nonparticipating countries outside the Western Hemisphere. But it is appropriate for the United States Government, as an occupying authority, to take responsibility for a part of the deficit which bizonal Germany will incur with nonparticipating countries outside the Western Hemisphere. As indicated in line 14 of the above table, about \$200,000,000 will be required for this purpose in the period April 1, 1948, to June 30, 1949.

20. AVAILABILITY OF COMMODITIES

The committee observed that the proposed program is based upon a realistic assessment of availabilities in this country and the rest of the world. The reductions made in the CEEC estimates by the executive branch arise in part from lower estimates as to the availability and probable future supplies of such commodities as grain, fats and oils, steel scrap, petroleum, and freight cars.

Food.—The Secretary of Agriculture testified that the amount of food required under the program could be provided after fulfilling our own domestic requirements and without upsetting the existing domestic channels of trade. In general, the total food requirements of the participating countries for the first 15-month period are well above the probable total availabilities. Food shipments from the United States are expected to be appreciably smaller than for the past 2 years. Even so, it may be necessary to delay for a few years our start in adjusting to more desirable wheat acreages.

(a) Bread grains: Low availabilities of bread grains will most seriously affect food consumption in the participating countries. Western Europe was a prewar food deficit area and will continue to be so even under the most favorable conditions. Food consumption targets as planned by the CEEC countries will not be achieved by 1952 unless there is a series of very favorable crop conditions in many areas of the world. If conservation measures and crop prospects are favorable in the United States, the program contemplates shipment from the United States to participating countries and their dependent overseas territories of 89,000,000 bushels of bread grains between April 1 and June 30, 1948 and 218,000,000 bushels during the fiscal

year 1948-49. During the 15-month period, exports of bread grains from nonparticipating countries other than the United States constitute 61 percent of the total imports of the participating countries. The volume of exports from the other Americas and eastern Europe will be of decisive importance.

(b) Coarse grains: Western European nations cannot restore their livestock as rapidly as would be desirable from their viewpoint because they will not be able to import enough feed grains. Exports from the United States of coarse grains in fiscal 1948-49 would be about 45,000,000 bushels. Most, if not all, of these grains should be used for food purposes. There should be no difficulty on the part of the United States in meeting this requirement.

(c) Fats and oils: United States exports of fats and oils to Europe under the proposed program would be more than offset by imports into the United States. This country normally exports edible fats and imports inedibles.

(d) Meat: No export of the types of meat consumed in the United States are planned during the first 15 months of this program. A small amount of horse meat will be shipped.

Fertilizer.—The need for fertilizers to increase indigenous supplies of food remains acute and the world demand is greater than at any time in history. Nitrogen consumption in the United States has more than doubled in the last decade. Nitrogen fertilizer allocation recommendations are under the International Emergency Food Council. It is unlikely that more than the current rate of 70,000 tons annually, including shipments by the United States Army, could be exported from the United States to the participating countries. The present rate of exports from the United States represents about 8 percent of our total yearly commercial supply of nitrogen and 4 percent of our phosphate rock. The supply available for United States farmers would be maintained at about the present levels.

Agricultural machinery.—Farm machinery is badly needed in western Europe to increase production. The CEEC request would have taken about one-third of the estimated 1946 production of the United States. Normally, Europe has taken about 5 percent of our production. The proposed \$136,000,000 program for the 15-month period would double that percentage but increased production in this country should provide for this program and also maintain the supply at a slightly higher rate than currently to the American farmer and take care of our other regular customers abroad. Every effort must be made to see that the exact amounts and kinds of machinery furnished will be fitted to the needs of these countries and used to the best advantage.

Coal.—The United States resources are adequate to provide the quantity of western European coal import requirements, although this program will call for full and efficient use of our transportation system. The coal mining equipment requirements essential to the expansion of coal mining productivity have been carefully reviewed in consultation with American manufacturers. It is considered that these requirements can be met if production can be scheduled promptly.

Electrical equipment.—Large generating equipment, of the types in which supply problems now exist in this country, is not expected to be supplied in the initial period. Our contribution in electrical equip-

ment is relatively small in dollar amount, but involves many items of specialized character available only from the United States.

Timber.—The volume of timber requested from this country appears to be moderate and within the limits of what we can supply, especially by exporting types not in major demand in this country.

Freight cars.—The CEEC estimated requirements for 1948 are 47,000 cars. This request did not appear to be fully justified, and in view of the large internal needs in the United States, provision was made for exports from the United States of only 20,000 cars in 1948–49. This estimate of requirements conforms with the judgment of the Harriman committee on this subject.

Tobacco.—The western European countries have traditionally been our largest tobacco export market. The shortage of dollar exchange, however, has prevented the participating countries from importing the full amount of their requirements for American tobacco. As a result of the sudden curtailment of exports, a reserve of tobacco has accumulated in the United States. Tobacco imports to the participating countries provide an outlet for excess consumer purchasing power and thereby contribute to the alleviation of inflationary pressures in the domestic economy. Furthermore, in many western European countries sales of tobacco provide an important source of revenue to the Government. Tobacco ranks as a readily available incentive, good for purposes of encouraging labor to work increased hours and on stepped-up production schedules. •

Petroleum, iron and steel.—Owing to the special problems regarding the requirements and availability of petroleum and iron and steel, these commodities are considered at some length in separate sections of this report.

21. AVAILABILITY OF PETROLEUM

In order to protect the petroleum reserves of the United States, the committee provided in the bill that the procurement of petroleum and petroleum products shall to the maximum extent practicable be made from petroleum sources outside the United States. The original CEEC requests for 26,493,000 metric tons from dollar sources in the first 12 months has been reduced 18 percent by the executive branch because of the critical shortages of oil, transportation, and refining facilities. This reduction should not appreciably retard recovery in Europe, although substantial adjustments will be required in programs of emergency utilization.

Very little, if any, fuel oil will be exported from the United States. A sizable proportion of United States exports will consist of specialty products, such as lubricants, which can be obtained in volume only from the United States. In percent of United States production, shipments to participating countries will account for 1.8 percent of United States crude oil output in 1948 or about 11 percent of their import requirements. Our exports of petroleum will be more than offset by imports. Total European requirements of petroleum are to be met largely from the other Western Hemisphere areas (supplying 50 percent of the requirements in 1948) and from the Middle East (supplying 38.6 percent in 1948 and an increasingly large proportion thereafter). It is estimated that the United States exports to CEEC countries will decline from the 1938 level of 77,000,000 barrels to 35,000,000 barrels in 1948.

Your committee gave considerable attention to the possible impact of current political uncertainties in the Middle East on the security and reliability of that area as a source of supply for Europe. This and other factors led the committee to underline the danger that western Europe, which has little petroleum wealth of its own, may be overexpanding, from the viewpoint of its own welfare, the petroleum-consuming equipment where the use of alternate fuels or other sources of power are practicable. For example, the CEEC report contemplated some substitution of petroleum-burning equipment for coal-burning equipment and an over-all petroleum consumption level in 1951 double that in 1938. The estimates of the executive branch assumed that these substitutions contemplated by the CEEC would not be possible. Coal remains the basic source of energy in western Europe and in 1951 will account for about 80 percent of total energy production.

22. AVAILABILITY OF IRON AND STEEL

The estimates of the executive branch on iron and steel import requirements of the participating countries recognize that an adequate supply of steel is a prime necessity for a thriving European economy. Steel requirements for European recovery exceed prewar consumption levels, since a substantial backlog of war damage and deferred maintenance of plant and machinery must be made up as rapidly as practical. Furthermore, increased output and export of metal products are essential to the achievement of equilibrium in the European balance of payments. Taking selected iron and steel products on a ton-for-ton basis, the executive branch estimates that 48 percent of the CEEC requirements of iron and steel might be met.

Current steel output of the participating countries together with western Germany is about 70 percent of the 1938 level. The CEEC finished steel production target is set at 30,000,000 tons in 1948, or about 9,000,000 tons above the current rate. United States studies of European steel production possibilities indicate that shortages of steel-making materials, particularly imported scrap, might prevent CEEC targets from being reached in 1948. The finished steel and metal fabricating industries of the United Kingdom and Italy will be principally affected by the unavailability of imported scrap, pig iron and crude and semifinished steel.

In order to alleviate and partially offset the unfavorable effects of prospective deficits in steel-making materials, including semifinished steel, the executive branch estimated that finished steel might be exported in quantities larger than those indicated for finished steel by the CEEC report. This course of possible action was recommended after a thorough exploration of suggested alternatives.

One suggestion was that the participating countries might further reduce their programed exports of finished steel. Some reduction in programed exports of finished steel by the participating countries will undoubtedly occur, according to the executive branch estimates. Further reductions would gravely endanger the long-run position of the participating countries, which together were the major prewar exporters of steel to the rest of the world, to regain export markets and to earn vitally needed foreign exchange. Furthermore, in the world's presently disorganized markets, ability to export steel and related products to certain countries also confers on the participating

countries an ability to obtain foodstuffs and raw materials on more favorable terms.

A second suggestion relates to the possibilities of expanding steel production and exports of bizonal Germany. Examination of the situation, however, indicates that bottleneck factors ranging from transport to replacement-parts shortages will effectively limit output below the amount of steel-making capacity scheduled for retention in that area. The occupation authorities also have indicated that additional steel production, except for amounts already earmarked for export, will be needed to reactivate the economy of bizonal Germany. However, the committee assumes that careful attention will be given to the possibility of increasing bizonal steel-ingot production.

Accordingly, the executive branch estimated that 1,150,000 metric tons of finished steel in addition to sheet and tinplate requirements might be made available from the United States to the participating countries in fiscal 1949. This country in 1947 exported about 4,000,000 tons of finished steel and about 1.2 million tons of such exports were destined to the participating countries. Although production of finished steel in the United States for the first 9 months of 1947, according to the Harriman Committee report, was equivalent to an annual rate of 62,300,000 net tons of finished steel products, exports of steel at the 1947 rate will continue to pinch the domestic economy. In view of all the circumstances, however, exports of finished steel to the participating countries in the amount estimated by the executive branch are essential to European recovery and will not significantly impair the strength and productivity of the American economy.

23. THE IMPACT OF THE RECOVERY PROGRAM UPON THE DOMESTIC ECONOMY

After extensive inquiry, the committee has come to the conclusion that, given efficient administration of the program, the American economy is able to withstand the general impact of a new foreign aid program of the size contemplated. Continued high levels of economic activity in the United States and efficient resource utilization are assumed. It is also assumed that the American people regard a European recovery program as worthy of some short-run sacrifices, chiefly in terms of some retardation in our rising standards of living. A small fraction of the strength of the American economy, properly applied and aided by the industry and straight thinking of the European people, can furnish the impetus to move the European economy off dead-center.

While it has been necessary to examine this conclusion on a commodity-by-commodity basis, and with due regard to the depletion of our resources, the great strength and inherent flexibility of our private enterprise economy must be kept in perspective.

Our gross national product in 1947 was over \$230,000,000,000 of which only 8 percent was exported. The committee was impressed by the fact that the 1948 level of exports, including those contemplated in this program, will be less than in 1947.

The excess of exports over imports is the final test of the over-all inflationary impact of this program upon the United States. Assuming the full authorization of 5.3 billion dollars, this excess is expected

to be at least \$1,000,000,000 less than in 1947. Furthermore, the Krug report concludes:

From the standpoint of preserving both the national security and our standard of living, our economy in general is physically capable of providing the resource requirements of a considerable program of foreign aid.

The Executive Branch concludes that inflation is largely the result of factors other than exports and that depletion of our natural resources is a long-run problem which we must solve with or without a European recovery program. The foreign-aid program, not in itself the principal factor, nevertheless compels us to face certain domestic problems squarely.

Almost all the testimony points to the serious fact that the problems raised by specific commodities in relatively short supply, if not dealt with effectively, could destroy this optimistic picture. The United States is no limitless cornucopia. There is no slack in the American economy, and every shipment of scarce goods—especially food, steel, industrial and agricultural machinery, and fertilizer which Europe must have—adds to the economic danger of inflation which means a shortage of goods in relation to demand. Such critical commodities can tip the scale between stability and inflation and start a chain reaction in our economy even though the percentage of our export to western Europe to total production is relatively small. It is clear that the impact of a new foreign-aid program will depend upon the domestic measures we adopt and the skill applied in the administration of the recovery program. In its proposals regarding these critical commodities, the executive branch has proceeded with caution.

Under this bill the obligations upon the Administrator are clear. Procurement must be provided for in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States. The bill provides that the Administrator, in procuring agricultural commodities within the United States will, subject to the stated conditions, provide for the procurement of an amount of each class or type of any such commodities in approximate proportion to the total exportable supply of such class or type of such commodity. In addition, the bill provides for a businesslike, highly responsible Administrator, within the executive branch, which should be able to cushion these impacts upon our domestic economy.

PART IV. SPECIAL PROBLEMS IN CONNECTION WITH THE PROGRAM

24. METHOD OF PROCUREMENT

In considering the procedures to be followed in the procurement of commodities for transfer to participating countries, the committee adopted two basic principles: the first is that private procurement and normal channels of commerce, trade, and transportation are to be used to the maximum extent practicable; the second principle is that flexibility in the procurement procedures, subject to such controls as may be necessary to assure proper expenditure, is essential to an adequate functioning of a program of such magnitude and complexity.

It is intended that procurement through United States Government channels will be utilized normally where necessary to assure that pur-

chases for this program will not unduly affect the price level in this country or other aspects of the domestic economy. An example of this is the procurement of wheat through the Commodity Credit Corporation. Where procurement is through private channels, the bill establishes adequate safeguards to make certain that this Government's funds have been properly expended in execution of approved programs of supply.

25. PROCUREMENT OF COMMODITIES OUTSIDE THE UNITED STATES

The bill authorizes the Administrator to provide for procurement from sources outside of the United States. This authority is required primarily to protect against inflationary tendencies which would result from concentrated buying in this country of commodities in inadequate supply in the United States. Commodities available from other Western Hemisphere countries are among those in shortest supply in the United States. The scope of the recovery program and the wide range of the supplies involved make it impractical to limit the Administrator's authority to procure outside the United States although such limitations were included in earlier foreign-aid legislation.

The program assumes that other Western Hemisphere countries will, in addition to the credits they have previously provided to the CEEC countries, help to meet the CEEC countries' deficits at least to the extent of \$700,000,000 from their own resources during the first 15 months. The offshore purchases in dollars permitted under this bill will also have the effect of assisting Western Hemisphere countries to meet their urgent dollar requirements with some of their export surplus. The Administrator is in a position to make certain that procurement outside the United States is on reasonable commercial terms.

Instances may arise in which the Administrator will find it desirable to finance the procurement for one participating country of commodities which are available in another such country. This will make possible increased trade among the participating countries and will make available dollar exchange to the exporting country thereby diminishing its requirements for direct assistance from the United States.

The planned offshore purchases are largely from the Western Hemisphere. Food products comprise about 60 percent of the total. The illustrative work sheets prepared by the executive branch indicate tentatively that about \$2,615,000,000 or 38 percent of the requested \$6,800,000,000 (15-month period) are needed for offshore procurement, or approximately \$2,000,000,000 for the 12-month period.

Further, the bill states that the procurement of petroleum and petroleum products shall to the maximum extent practicable be made from petroleum sources outside the United States. Most of the purchases in dollars, however, will be from American companies operating in the Caribbean and Middle East areas.

The committee contemplates that offshore procurement of commodities will be effected to a very large extent through the normal channels of trade.

The following table is inserted here for illustrative purposes:

Illustrative distribution by commodities of United States funds for offshore procurement

[In millions of dollars at July 1, 1947, prices]

	<i>Value</i>
Bread grains.....	389. 2
Coarse grains.....	301. 5
Fats and oils.....	172. 8
Oilcake and meal.....	121. 0
Sugar.....	179. 7
Meat.....	334. 5
Dairy products.....	40. 0
Eggs.....	47. 1
Dried fruit.....	. 6
Rice.....	39. 4
Coffee.....	82. 0
Other foods.....	67. 3
Subtotal.....	1, 775. 1
Nitrogen.....	21. 2
Agricultural machinery.....	17. 9
Petroleum.....	(1)
Timber.....	37. 3
Iron ore.....	8. 8
Trucks.....	9. 4
Timber equipment.....	. 1
Other imports ²	620. 2
Total.....	2, 490. 0
Adjustment for price increases after July 1, 1947.....	125. 0
United States funds for offshore procurement.....	2, 615. 0

¹ Petroleum is not included in the above table inasmuch as all purchases in dollars of petroleum will be from United States companies. The petroleum to be shipped to the participating countries by United States companies will be largely from sources outside the continental United States.

² This item is made up of various important raw materials, such as nonferrous metals and ores, hides and skins, chemicals, wood pulp and newsprint, and of various manufactures and semimanufactures, and machinery and parts.

26. STRATEGIC MATERIALS AND STOCK PILING

Lend lease and the Second World War cut deeply into the available stocks of natural resources of the United States. This would indicate the necessity of increased imports of such strategic materials as chromite, manganese, bauxite, lead, and zinc. In principle, this country is committed to a program for stock piling strategic materials on a large scale which can be done only by expanding total world production. The dependent territories of western European countries can contribute much to the production of strategic metals and minerals.

The committee deems this matter to be of the utmost importance and believes that the proposed method of obtaining strategic materials contained in the bill is more likely to result in our obtaining a larger quantity of such materials than alternative plans which have been suggested.

Section 15, paragraph 5, provides that the bilateral agreements should facilitate—

the transfer to the United States by sale, exchange, barter, or otherwise for stock-piling purposes, for such period of time as may be agreed to and upon reasonable terms and in reasonable quantities, of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources, and which may be available in such participating country after due regard for reasonable requirements for domestic use and commercial export of such country.

Agreements with participating countries for the transfer of such materials may extend beyond the period of the bill and will specify the terms and quantities governing the transfer of such material.

In addition, part of the funds appropriated may be used by the Administrator of ECA to finance development of increased sources of supply. Technical information and assistance may be provided for increasing production. Local currency proceeds may be used to foster exploration development.

The Administrator under certain circumstances may require the repayment of loans under the program in the form of delivery of strategic materials. Section 11, subsection c, paragraph 1, makes explicit reference to this subject even though the Administrator would possess authority to take such action under the general language of this subsection. Ordinarily, it is contemplated that such materials will be purchased by us with dollars separately appropriated. If we require the delivery of strategic materials as a consideration for a grant, the capacity of the country to repay any loans would correspondingly be diminished. In calculating the capacity of a country to repay, its receipts from future exports of all types, including strategic materials which might be sold to us, should be taken into consideration.

27. SHIPPING AND THE RECOVERY PROGRAM

The committee carefully examined the problem of providing shipping to the participating countries. The proposal which the committee had submitted to it was for authority in the legislation to sell and charter merchant vessels to participating countries. It was proposed that 200 vessels would be sold and 300 chartered. In making its examination, the committee considered the possible adverse effect of such action on our merchant marine and merchant seamen and on our national defense. The committee also took into account the joint resolution entitled "A joint resolution to continue until March 1, 1949, the authority of the Maritime Commission to sell, charter, and operate vessels, and for other purposes" amending the Merchant Ship Sales Act of 1946 by prohibiting the sale or charter of United States war-built merchant vessels to foreign nations.

The committee decided that, in the circumstances, it would be unwise to authorize the transfer of title to American merchant ships. On the other hand, the committee felt that to prohibit the temporary transfer for a limited period of time would be uneconomic and contrary to the best interests of the American people. The legislation therefore authorizes the charter of 300 dry-cargo merchant vessels.

In making this authorization, the committee was guided by the following considerations which were not present in the Senate's consideration of the Joint Resolution referred to above. The charter of these 300 vessels, for a period not to extend beyond June 30, 1952, would permit a savings to the American taxpayer, over the 4½-year period, of approximately \$240,000,000, based on July 1, 1947 freight rates. Moreover, the Maritime Commission has estimated that the size of the long-range active United States merchant fleet will be 11,400,000 deadweight tons, which estimate was concurred in by the armed services. Since the present active fleet is approximately 24,000,000 deadweight tons, it is clear that a reduction in the size

of the American merchant fleet is inevitable. To require the operation of these 300 vessels by the United States would therefore have the effect of maintaining our American merchant fleet at an abnormally high level for a temporary period, and postponing, at considerable cost to the United States Government, the inevitable readjustment that must be made.

The committee inquired of the Secretary of National Defense as to whether the national security interest of the United States would be prejudiced by the sale or transfer of ships. In his reply, Secretary Forrestal stated that, in his opinion, by the charter or transfer of title of 500 vessels, or any lesser number, we stand to "gain more by such charter or transfer, from an over-all national security standpoint, than we stand to lose."

28. USE OF LOCAL CURRENCY DEPOSITS

Each participating country is required to deposit in a special account the local currency equivalent of commodities provided to them on a grant basis. This procedure is similar to that provided by the Foreign Aid Act of 1947.

These deposits may be used only for purposes agreed to between the participating country and the Administrator, the latter acting in consultation with the National Advisory Council. The committee strongly believes that this procedure will assure the use of these deposits in a manner consistent with, and in support of, the recovery effort. While it would be unwise at this time to prescribe the specific uses which could be made of such deposits, the following might be appropriate:

(a) Immobilization of the local currency, in whole or in part, to assist in measures of financial reform and currency stabilization;

(b) Use for retiring the national debt so as to promote the most rapid achievement of financial stability;

(c) Use for costs incidental to the development of additional production of raw materials which will be in short supply in the United States;

(d) Use to defray the costs in the currency of the participating country, pursuant to arrangements approved by the International Bank, of projects mutually agreed by the United States and the participating country as contributing to European recovery;

(e) Use for local currency administrative expenses of the United States incident to the operation of the program.

The committee considered the advisability of providing even greater control over the use of the local currency deposits through actual ownership by the United States. It determined, however, that this would seriously weaken the program and embarrass the United States. The size of the deposits in certain countries would be so large that United States ownership of the local currency involved would give our Government responsibility for the financial policies of these countries. This would not only be contradictory to the essential nature of the program—European recovery through self-help and mutual cooperation—but it would put the United States in the untenable position of assuming a responsibility which it could not

possibly discharge. The committee is certain that the requirement that the deposits be utilized in agreement with the United States avoids the serious pitfalls which would result from any greater nominal or actual control.

As in the Foreign Aid Act of 1947, any agreement covering the disposition of unencumbered balances remaining on June 30, 1952, will have to be approved by the Congress of the United States.

29. THE ROLE OF WESTERN GERMANY IN THE PROGRAM

Throughout the hearings and during its deliberations in executive session the members of the committee attached great importance to the role of western Germany in a European recovery program. For many years prior to World War II Germany was the hub of the European industrial system. Its industrial production and its technical know-how have been instrumental in making western Europe a great manufacturing and trading center. Because of the devastation brought on themselves by the war and the resultant dislocation of the German economy, Germany has lagged far behind other States in its recovery program. At the present time their production is still less than 50 percent of its prewar figure. It is apparent that Europe cannot be vigorous and healthy again so long as Germany remains sick.

This does not mean that requirements for western Germany should be given priority in the European recovery program nor does it mean that steps would be taken which would result in the resurgence of Germany as a military power in Europe. Clearly United States assistance should be applied in a way as to obtain effective results. In line with this principle the committee believed that, where the recovery of Europe as a whole could be advanced more rapidly by supplying additional essential goods and services to Germany rather than to other participating countries, then such a course would seem justifiable. At the same time every precaution must be taken to prevent the rebuilding of German economy in such a way that Germany will ever again become a threat to the peace.

Inasmuch as the United States is one of the occupying powers our responsibility with respect to German participation in the European recovery program is great. Our representatives must cooperate fully with the other participating countries in matters of mutual concern. To this end it is expected that the zones of western Germany will be represented on the continuing organization to be established by the participating countries.

During the hearings Secretary Marshall announced that the State Department plans to take over from the Department of the Army on approximately July 1, 1948, the responsibility for the administration of United States occupation policies in Germany. Meanwhile, for the first year of the recovery program the appropriations for those minimum essentials necessary to forestall disease and unrest will be sought by the Army. The additional funds necessary for rehabilitation and recovery are included as a part of the present authorization. These funds will be allocated by the Administrator in such a way as to insure the proper integration of the German economy into the total European recovery program.

In view of the special responsibilities of the United States as one of the occupying powers, it is recognized that the relationship between the Administrator and the officials of our Government responsible for our occupation policy in Germany will be unique.

The only government in the zones of occupation of Germany is a military government. In the case of the bizonal area of Germany, the military governments are arms of the United States and British Governments. The agreements establishing the fusion of the United States and United Kingdom zones give the United States administration in Germany ample power to assure the performance in the bizonal area of operations under this act.

The problem which the committee faced was to make certain that the Administrator would be in a position to discharge his responsibilities while at the same time assuring that the highly complex and vital administration of the occupied areas is clearly fixed in a military governor, whether he be a commanding general or a civil commissioner. The key importance of Germany to the success of the recovery program involves concentrated and energetic effort with respect to every aspect of the economic life of the area. Hence, United States administration in Germany is a single problem. The responsibilities of the military governor include, but are not limited to, operations under the bill. The Administrator will, of course, have full authority to perform, with respect to the occupied areas, all functions vested in him by section 11 (a) of the bill. However, in the light of the special problems discussed above, the committee concluded that administrative arrangements within the occupied areas for the conduct of operations under the bill should be left to the President. It is the intention of the committee that the administrative arrangements to be made by the President will assure full coordination between the Administrator and the occupation authorities in order that the Administrator may carry out his responsibilities, without impairment of the responsibility of the military government for the successful accomplishment of the occupation objectives. Similar considerations apply with respect to the zones of the Free Territory of Trieste, if either of these zones becomes a "participating country."

30. DISMANTLING OF PLANTS IN GERMANY

During the debate in the Senate on the Foreign Aid Act of 1947, the chairman of the committee promised to investigate the policies and practices being applied in Germany to the dismantling of plants under the reparations program. Accordingly, this question was examined thoroughly during the hearings on this bill.

The committee is satisfied that the policies of this Government with respect to dismantling of German plants are consistent with the European recovery program and that they do not jeopardize the vital role that western Germany is required to play under the program.

A part of the capacity scheduled for dismantling are war plants whose destruction or removal as producing units is required under the agreed program for the elimination of Germany's facilities for manufacturing war materials. The industrial capacity represented by the nonwar plants cannot be used in Germany within the period of the recovery program because of the shortages of raw materials, transport,

manpower, and the other factors which hamper the expansion of German production. On the other hand, certain industrial capacity scheduled for removal from Germany is required by some of the participating countries in order to reach their production targets.

Except for the remnants of three plants which have already been allocated to the Soviet Union and dismantled, no deliveries of plants and equipment are being made from the United States zone to the Soviet Union.

Shipments are continuing to the member nations of the Inter-Allied Reparation Agency (in accordance with the terms of the Paris reparation agreement signed in January 1946 by all those nations, including the United States) entitled to reparation from Germany, except the Soviet Union and Poland. Most of this equipment is destined for countries expected to participate in the European recovery program, and that which has been received is already making a contribution to the industrial production of those countries. Continuation of deliveries will serve to meet some of the urgent requirements for capital equipment in connection with their programs for expanding industrial production. Much of this equipment could not be obtained elsewhere except by dollar payments and in some instances could not be obtained at all within the critical period. In addition the committee finds that to discontinue dismantling would violate our international commitments under the Paris reparation agreement.

31. EUROPEAN ATTITUDE TOWARD THE EUROPEAN RECOVERY PROGRAM

The attitude of western Europeans toward the program ranges from cautious approval to unreserved enthusiasm. With the exception of the various national Communist Parties, which have followed faithfully the Moscow party line, and other extreme left-wing elements, political parties in western Europe have supported their governments' efforts toward closer economic cooperation on the European Continent. There has been sporadic criticism in individual countries about certain details; but the program is acknowledged to be vital to European recovery.

The fears of western Europe that the Congress of the United States would act too late and grant too little assistance for real recovery have been receding in recent weeks. The fear that Congress might attach to the program unacceptable political conditions still persists and has provided ammunition for Communist propaganda. However, the committee has been gratified to note a growing realization and appreciation of the sacrifice and effort which the United States will be required to make on behalf of European recovery.

The initial response to Secretary Marshall's Harvard speech in eastern Europe was favorable. But, after Russia clarified her position, the attitude of the Communist-dominated countries changed correspondingly. However, some statements which filter through censorship express regret about nonparticipation and hope for closer east-west economic relations.

32. THE ROLE OF EASTERN EUROPE AND EAST-WEST TRADING

The Soviet Union and Communist Parties elsewhere in Europe are in a position either to make substantial contributions to European

recovery or to imperil its success. Recent developments indicate that the latter course might be taken. Through the Cominform, established in October 1947, the Communist Party has waged a "cold war" on the United States and has continuously distorted American motives behind the program initiated by the European countries themselves. Communist-inspired strikes and disturbances have already taken place in a number of ERP countries and might occur again, thereby greatly impeding the production effort of western Europe.

The Soviet Union, furthermore, is in an effective position to hinder the restoration of trade between eastern and western Europe. At present the over-all volume of trade between eastern and western Europe is about 30 percent of the prewar volume. The CEEC report, however, assumes that the westward flow of cereals from eastern Europe will reach prewar levels and timber will reach 75 percent of the prewar level in 1951. The restoration of this trade, which traditionally has consisted of food supplies, timber, and coal from the east and manufactured goods from the west, is one of the basic assumptions on which the participating countries predicated their import requirements from the Western Hemisphere.

The number of bilateral trading agreements concluded or being negotiated between eastern and western Europe is encouraging. On the other hand, Russia and her satellite states likewise have entered into a number of agreements which may have the effect of retarding the normal flow of trade. This web of trade agreements, together with the Russian grain and barter arrangements, constitute the Molotov plan which has the effect of tightening Russian control over the exports of the satellite countries and diverting their products from the west, where they normally flowed, to the east.

In the light of the Molotov plan and the attitude of the Cominform toward the European recovery program, there can be no certainty that the assumed restoration of trade will actually occur. Healthy trade relations within the European Continent will greatly aid the objective of ERP and the door is left open to the participation of eastern European countries in the program. If restoration of trade between the east and west of Europe does not occur, it is the opinion of the State Department that "recovery in the west of Europe will be much slower and more difficult, but not impossible of achievement."

The committee accepts and approves the assumption concerning the desirability of restoring east-west trading. This is another clear indication which should destroy the misconception, ceaselessly propagated, that the economic cooperation bill is designed to split Europe into two economic camps.

33. ATTITUDE OF THE SOVIET UNION TOWARD THE PROGRAM

After the Soviet Union's refusal to take part in any plan of concerted action for European recovery on the grounds that such a plan "would lead to interference in the internal affairs of European countries," England and France invited other European countries to meet in Paris for the developing of a recovery program. None of the eastern European states took part in the Paris Conference, although Czechoslovakia and Poland had signified their interest before the withdrawal of the Soviet Union.

As plans for the program progressed, Russian opposition crystallized through the formulation of the Molotov plan—a tight network of trade agreements among the eastern European states—and the creation of the Cominform, a new version of the Comintern, made up of parties in eastern Europe and France and Italy. Since its formation, the Moscow-dominated Cominform has been the mouthpiece of Russian opposition to the program. This is reflected by the adoption at the first meeting of the Cominform of a declaration which states in part:

The Truman-Marshall plan is only a constituent part, the European subsection, of a general plan for the policy of global expansion pursued by the United States in all parts of the world.

The keynote of Communist propaganda against the recovery program was sounded at that same meeting by A. A. Zdhanov, a leading member of the Politburo, when he branded the Marshall plan as aimed at “the economic enslavement of the European countries.” This cry of “American imperialism” has remained the theme of Communist propaganda against the program. Equally false is the theme, disseminated in western Europe, that the United States is attempting to resurrect the military might of western Germany.

34. THE ROLE OF THE UNITED NATIONS

In giving its unanimous approval to the European recovery program the committee reiterated once more its firm adherence to the Charter of the United Nations. Since the San Francisco Conference the goals of the United States foreign policy have been identical with the principles and purposes of the Charter. The committee believed that the successful completion of the European recovery program will constitute an important step toward the attainment of the objectives of world peace and security to which the United Nations is dedicated.

While the United States alone cannot determine the extent to which existing international machinery will be utilized, it is the established policy of the United States to make the fullest possible use of the machinery of the United Nations and its affiliated agencies in any such cooperative enterprise. It should be remembered, however, that 5 of the 16 CEEC countries are not yet members of the United Nations. Nevertheless, the CEEC report underlines the principle that “wherever suitable international machinery exists, it is the desire of the participating countries that these tasks should be effectively followed up within the framework of the United Nations.”

As the program evolves and stability returns to Europe it is anticipated that the International Bank for Reconstruction and Development will be of considerable assistance in extending loans to the participating countries. The International Monetary Fund should contribute toward the general goal of stabilizing currencies in the world.

The Food and Agriculture Organization will aid in restoring agricultural equilibrium to Europe and in solving problems relating to food supply. The Economic Commission for Europe may be an important instrumentality in resolving some of Europe's economic problems which have resulted from the war. Already much valuable assistance has been rendered by these and other international agencies.

The bill drafted by the committee is unmistakably clear on this point. Sections 11 and 20 authorize the President to cooperate with

the United Nations and its specialized agencies and to make payments for such purposes out of the appropriations authorized. Copies of reports to Congress on the operations of the program will be transmitted to the Secretary General of the United Nations and agreements concluded under the program will be registered with the United Nations whenever such registration is required by the Charter.

PART V. UNDERTAKINGS OF THE PARTICIPATING COUNTRIES

35. OBLIGATIONS OF PARTICIPATING COUNTRIES—MULTILATERAL PLEDGES

Throughout the hearings members of the committee repeatedly stated that the European recovery program must be a joint venture based upon the principles of self-help and mutual cooperation, with each participating country fully collaborating if satisfactory results are to be achieved. Accordingly, the committee looked with considerable satisfaction upon the far-reaching pledges, including the creation of a joint organization, which the CEEC countries voluntarily assumed at their Paris meeting. It is expected that these and other undertakings will be incorporated in multilateral pledges exchanged among the participating countries. While some of these pledges are dealt with in detail in other sections of this report, because of their importance it may be well to quote here the following paragraphs of the CEEC report:

In order to insure that the recovery programme is carried out, the sixteen participating countries pledge themselves to join together, and invite other European countries to join with them, in working to this end. This pledge is undertaken by each country with respect to its own national programme, but it also takes into account similar pledges made by the other participating countries. In particular, each country undertakes to use all its efforts:

- (i) to develop its production to reach the targets, especially for food and coal;
- (ii) to make the fullest and most effective use of its existing productive capacity and all available manpower;
- (iii) to modernise its equipment and transport, so that labour becomes more productive, conditions of work are improved, and standards of living of all peoples of Europe are raised;
- (iv) to apply all necessary measures leading to the rapid achievement of internal financial monetary and economic stability while maintaining in each country a high level of employment;
- (v) to cooperate with one another and with like-minded countries in all possible steps to reduce the tariffs and other barriers to the expansion of trade both between themselves and with the rest of the world, in accordance with the principles of the draft Charter for an International Trade Organisation;
- (vi) to remove progressively the obstacles to the free movement of persons within Europe;
- (vii) to organise together the means by which common resources can be developed in partnership.

The present bill (sec. 15) makes clear that the extension of aid by the United States results from the pledges accepted at Paris and is contingent upon the continued effort of the participating countries to accomplish a joint recovery program through multilateral undertakings and the establishment of a continuing organization. The committee believes that these pledges, if they are faithfully observed, will do much to bring about in Europe the economic conditions essential for peace and prosperity.

In stressing the importance of these obligations, the committee was sensitive to the fact that the countries of western Europe are highly

developed sovereign nations and would be properly resentful of any interference from the outside in their internal affairs. There can be no possible criticism on this score in as much as the undertakings were voluntarily assumed by the CEEC countries upon their own initiative and in no sense represent an attempt on the part of the United States to impose restrictions on the sovereign rights of the participating countries.

36. OBLIGATIONS OF PARTICIPATING COUNTRIES—BILATERAL AGREEMENTS

The committee has made every effort to guarantee the success of this venture in the light of its past experience with foreign aid programs. Therefore, in addition to the multilateral undertakings, special bilateral agreements will be concluded between the United States and each of the participating countries. These agreements will respect the dignity of both countries and give assurance that the assistance granted will be used to the best possible advantage. They will vary in content depending upon the nature of the assistance furnished and the conditions applicable in each particular instance. In general, however, the recipient country, in addition to adhering to the purposes of the act and exchanging the multilateral pledges referred to above, will undertake such commitments as the following in the bilateral agreements:

1. To promote industrial and agricultural production in order to become independent of extraordinary outside economic assistance;
2. To take steps to stabilize its currency, establish a valid rate of exchange, and to balance its governmental budget as soon as practicable;
3. To cooperate in stimulating an increasing interchange of goods and services with other countries and to reduce trade barriers;
4. To make efficient and practical use of its own resources and of the assistance furnished by the United States;
5. To facilitate the sale or transfer to the United States on reasonable terms and in reasonable quantities of certain materials required as a result of deficiencies in our own resources;
6. To deposit in a special account the local currency equivalent of assistance in the form of grants furnished under the agreement to be used in a manner agreed to by the two governments;
7. To publish and transmit to the United States not less frequently than every calendar quarter full statements of operations under the agreement;
8. To furnish promptly, upon request of the United States, any information relating to the operation of the program and the use of assistance furnished under this act.

It will be noted that a number of the conditions contained in the Foreign Aid Act of 1947, including the provisions relating to labeling and the limitations upon the reexportation of commodities, are omitted from the present bill. After reviewing these conditions, the committee believed that it would be unwise to include them because of the fundamental differences in the nature of the two programs.

37. TERMINATION OF ASSISTANCE

Apart from the bilateral and multilateral undertakings described above, the interests of the United States are further protected by the provision that assistance to any of the participating countries may be terminated for a variety of reasons. Whenever the Administrator determines that a recipient country is not adhering to the terms of its agreement with the United States, or is diverting assistance to purposes other than those provided in the act, he shall terminate such assistance unless, under the circumstances, remedial action other than termination will more effectively promote the purposes of the act. Moreover, the Administrator is directed to terminate assistance with any participating country whenever, because of changed conditions, such assistance is no longer consistent with the national interests of the United States.

38. TOWARD A UNION OF THE EUROPEAN STATES

While the bill provides for the economic rehabilitation of Europe, it has broader implications. Revival of the economic health of Europe combined with a development of ever-closer political and economic ties among the participating countries are the twin elements of peace and prosperity. It is therefore implicit in the program that at its end lies, not only economic cooperation in the form of customs unions and the elimination of trade and economic barriers set forth in the CEEC report, but also closer political and cultural bonds. This need has already been stressed by British, French, and other leaders.

Divided and engaged in nationalistic rivalries the participating countries will find it difficult to sustain their free institutions and independence and to increase their standard of living. The maintenance of their peace and genuine independence rests largely upon their mutual cooperation and sustained common effort.

Several of the witnesses appearing before the committee urged a unification of the European states. In rewriting the bill the committee was mindful of these many admonitions and, drawing upon the language of the CEEC report, wrote into section 2 (a) the following:

Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is the hope of the people of the United States that these countries through a joint organization will exert sustained common efforts which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity.

PART VI. FINANCIAL ASPECT OF THE PROGRAM

39. TOTAL FOREIGN AID CONTEMPLATED

The committee believes there is no question of the ability of the United States to finance its share of the European recovery program. This determination was made after full consideration of other requests which will probably be made for appropriations for foreign aid in other parts of the world. United States assistance in this program can be accomplished without unduly affecting the American economy or neglecting other critical areas where assistance is needed. During an early stage of the hearings the committee requested the Secre-

tary of State to submit an over-all estimate of the total amount which would be required for foreign financial assistance to cover the remainder of fiscal year 1948 and fiscal 1949. On February 6, 1948, the following estimate was submitted:

		<i>Millions</i>
Included in President's Budget of Appropriations:		
1. European recovery program.....		\$6, 800
2. Government and relief in occupied areas.....		1, 400
3. Philippine war damage, rehabilitation and veterans' benefits.....		¹ 133
4. Other foreign aid (including China).....		750
Total.....		9, 083
Additions to President's Budget of Appropriations: Other foreign aid (including China) (around).....		
		250
Total.....		9, 333

¹ Appropriation request for fiscal year 1949 authorized by Public Law 370 (79th Cong.).

It is the understanding of the committee that these figures include all contemplated requests for appropriations for foreign aid with the exception of the contributions of the United States to the United Nations and other international organizations. Item No. 4, entitled "Other foreign aid," includes the China-aid program, Greek-Turkish military aid, the Army request for Japanese-Korean reconstruction, inter-American military cooperation, and Trieste aid. The request for assistance to China is \$570,000,000. The amounts which will be requested for the four other programs are not known since they have not been fully cleared and screened in the executive branch. The total for the four would be slightly under \$500,000,000.

40. THE PURPOSE IS RECOVERY, NOT RELIEF

This bill provides for United States assistance in a recovery program geared to the individual and collective needs of the participating countries. It is therefore a recovery bill and differs from the interim aid and earlier relief measures in that its primary concern is the recreation of a strong, productive, self-supporting western European economy. Obviously, some relief-type goods must be provided within the framework of the program, but all assistance, no matter what its form may be, will be devoted solely to European recovery.

If the measure were purely relief, certain of the participating countries would not immediately be eligible, since they have resources upon which to draw. They would, however, require assistance as their resources were exhausted. Ambassador Douglas explained the problem as follows:

Those countries that would receive no relief would exhaust what resources they have until they reach the point of zero and thereafter would be in the paupers' line, unable to pay for imports and unable to export. In other countries imports would be diminished. The energy of the individuals to work would be diminished, their exports would decline, and the conditions would continuously deteriorate. And in order to make up the deficiency, if we were prepared to do so, we would have to appropriate even a larger sum of money and provide even more commodities than is contemplated under this program.

The State Department estimates, covering the first 15-month period based on an appropriation of 6.8 billion dollars, assigned roughly two-thirds, or 4.5 billion dollars, to relief-type goods, and one-third, or 2.3 billion dollars to recovery-type goods. In practice, the Administrator would adjust the program to conform to new developments, and there would be a steady decrease in the percentage of relief-type

goods, and a steady increase in recovery-type goods. Under the heading of recovery-type items are incentive goods (such as tobacco and coffee), farm supplies and equipment, industrial raw materials, coal-mining machinery, capital equipment and parts, and components for machinery and equipment. Relief-type items are food, fuel, fertilizers, and cotton and wool fibers.

The tables below illustrate the distribution of relief-type and recovery-type items as follows:

TABLE 1.—*Illustrative distribution between relief-type and recovery-type commodities and services financed with new U. S. Treasury funds and imported by the participating countries from the Western Hemisphere, Apr. 1, 1948, to June 30, 1949*

[In millions of dollars, at July 1, 1947, prices]

	Relief-type commodities and services	Recovery-type commodities and services	Total
Totals brought forward from table 2.....	4,899	1,961	6,860
Plus adjustment for price increases.....	342	140	482
	5,241	2,101	7,342
Less:			
Savings on shipping.....	71	29	100
Department of Army, GARIOA.....	822		822
Subtotal.....	893	29	922
	4,348	2,072	6,420
Plus:			
Authority to obligate funds for procurement of items, chiefly capital equipment, to be delivered in subsequent years.....		200	200
Uncovered deficit of bizonc Germany with nonparticipating countries outside the Western Hemisphere.....	134	66	200
Subtotal.....	134	266	400
Authorization requested for ECA.....	4,482	2,338	6,820
Above in rounded amount.....			6,800
Relief-type goods and services as percent of total authorization requested.....	66		
Recovery-type goods and services as percent of total authorization requested.....		34	

TABLE 2.—*Recapitulation of illustrative distribution between relief-type and recovery-type commodities and services financed with new U. S. Treasury funds and imported by the participating countries from the Western Hemisphere, Apr. 1, 1948, to June 30, 1949*

[In millions of dollars, at July 1, 1947, prices]

	Total relief-type commodities and services	Total recovery-type commodities and services	Total
Austria.....	118.6	63.4	182.0
Belgium-Luxemburg and dependencies.....	255.2	67.9	323.1
Denmark.....	77.8	86.3	164.1
France and dependencies.....	968.9	465.3	1,434.2
Greece.....	137.3	48.6	185.9
Iceland.....	7.8	4.9	12.7
Ireland.....	102.6	49.2	151.8
Italy.....	719.4	149.4	868.8
Netherlands and dependencies.....	311.3	393.7	705.0
Norway.....		34.1	34.1
Portugal and dependencies.....			
Sweden.....		32.9	32.9
Switzerland.....			
United Kingdom and dependencies.....	1,490.9	269.3	1,760.2
Western Germany:			
Bizonc.....	630.7	283.8	914.5
French zone.....	71.6	8.8	80.4
Saar.....	7.0	3.9	10.9
Total.....	4,899.1	1,961.5	6,860.6

41. NATURE OF ASSISTANCE: GRANTS OR LOANS

The duration of the European recovery program and the changes which cannot now be foreseen, make it impracticable to establish now the extent of aid to be provided any participating country or to determine whether such aid is to be in the form of grants or loans. Similarly, it cannot now be determined whether certain commodities or classes of commodities should throughout the life of the program be furnished on a grant or loan basis.

The committee has, however, established the criteria for determining whether assistance should be in the form of grants or loans. This determination is to depend primarily on two factors: (1) the character and purpose of the assistance and (2) the capacity of the country concerned to make repayments without jeopardizing the accomplishment of the purposes of the bill. It is clear that grants should not be made to countries which have the capacity to pay cash or repay loans. It is equally clear that it would be unrealistic to require a participating country to contract dollar debts now if it does not have the capacity to pay without jeopardizing the purposes of the program. However, to the fullest extent practicable within the above test, payment should be made or loans used in order to finance imports of capital equipment and raw materials for use in connection with capital development, and grants should be used to finance imports of supplies of food, fuel, and fertilizer and raw materials not used for capital development.

While recognizing that a definitive answer cannot now be given to the question as to what percentage of assistance will be financed by loans and what percentage by grants, the committee believe it desirable to obtain an estimate. In response to its inquiry the National Advisory Council has estimated that roughly 20 to 40 percent of assistance will be in the form of loans, while 60 to 80 percent will be grants. Without attempting to make a determination, it is probable that in the early stages of the program the countries will be divided into four classes: (1) Countries, such as Switzerland and Portugal, which will pay cash for commodities received; (2) countries to which assistance will be furnished by loans; (3) countries, like Austria and Greece, where assistance will be entirely by grants; and (4) countries, like France and Great Britain, where assistance will be partly by loans and partly by grants.

In determining whether assistance should be furnished by grant or loan and in fixing the terms of repayment of any such loan, the committee has deemed it important to provide that the Administrator should act in consultation with the National Advisory Council. It should also be noted that the committee has made explicit that, in determining the terms of a loan, the Administrator may provide payment by the transfer to the United States of materials required as a result of deficiencies in its own resources under such terms as may be agreed to between the Administrator and the participating country.

42. COMPARISON OF ESTIMATES OF REQUIREMENTS

The committee considered the requirements of the participating countries during the first year of the recovery program as estimated by the executive branch, the Harriman committee, the International

Bank for Reconstruction and Development, and the CEEC. All of these estimates are based upon balance of payments calculations. The executive branch estimated a deficit of 6.75 billion dollars, the Harriman committee estimated 6.88 to 7.69 billion dollars, and the International Bank 7.6 billion dollars as compared with the CEEC estimate of 8.03 billion dollars.

Only the executive branch and the Harriman committee estimated the amount of new United States Treasury funds which would be required after allowing for assistance from other sources. These estimates were not on a completely comparable basis. When the necessary adjustments are made, however, both the executive branch and the Harriman committee estimates are virtually identical with the 5.3 billion dollars for the first year of the program unanimously approved by the committee.

43. REDUCTION OF AUTHORIZATION TO 5.3 BILLION DOLLARS

The great majority of witnesses appearing before the committee expressed the conviction that the 6.8 billions dollars requested by the Department of State for the first 15 months of the program should not be reduced. Due to the many imponderables involved there are sound reasons why that sum should be looked upon as a minimum rather than a maximum figure. Possible crop failures, changing price levels, political disturbances, uncertainties about production schedules and world trade—these are only a few of the intangibles which make it impossible to predict the future requirements of the program with any high degree of certainty. Given the tremendously important stakes involved, it would seem far better to have a little too much available than not enough.

The committee considered it wise, however, to reduce the amount authorized from 6.8 to 5.3 billion dollars, at the same time reducing the period covered from 15 to 12 months. Such a reduction would, in no way, impair the effectiveness of the program, since the 5.3 billion-dollar figure is, in fact, the amount necessary to carry through the 6.8 billion-dollar program for a 12-month period. At the same time, there are a number of strong arguments in favor of such a change.

In the first place, it would seem desirable that the program be reviewed by the Congress at the earliest reasonable date in 1949. By that time the people of the United States will have determined the composition of the Congress and the administration which, in the long run, will be responsible for the execution of the program. By that time, too, many of the imponderables which now exist will have been resolved. We will know far better then than now the exact impact of crops, prices, political disturbances, and production results upon the program.

In the second place, by January 1949 we will have the benefit of the recommendations of the Administrator and his staff. Such recommendations, framed in the light of 6 or 8 months' experience by those in charge of the program, will be invaluable. Moreover, by that time, the studies of the joint congressional committee proposed in the present bill will be available.

Finally, if it is generally recognized that the recovery program is coming under critical review early in 1949, it will encourage the par-

ticipating countries to exert every effort to show substantial progress by way of self-help between now and then. This additional impetus, coming during the early stages of the program, may prove exceedingly helpful.

44. APPLICATION OF PORTION OF 1948 SURPLUS TO 1949 EXPENDITURES

The Joint Committee on Internal Revenue Taxation has estimated a Treasury surplus of approximately \$8,000,000,000 in fiscal year 1948. The Treasury has estimated the surplus at about \$7,500,000,000.

The committee felt that it would be appropriate to reserve \$3,000,000,000 of this 1948 surplus for disbursements under the program in 1949 which would otherwise have been accounted for as expenditures in that fiscal year. This action will not affect the program in any way. It will merely assure that a portion of the surplus in fiscal 1948 is not used for debt retirement during that year and will increase, to that extent, the anticipated budgetary surplus for 1949.

Senator Millikin, chairman of the Senate Committee on Finance, explained to the committee that this procedure would tend to prevent this important project from cannibalizing other legitimate projects and would tend to prevent other legitimate projects from cannibalizing the recovery program during a year when there might be many demands upon the United States Treasury.

45. ADVANCE OF \$1,000,000,000 BY RECONSTRUCTION FINANCE CORPORATION

In the Relief Assistance Act and the Foreign Aid Act the committee inserted a provision calling for advances by the Reconstruction Finance Corporation pending the appropriation of necessary funds by the Congress. This was considered desirable because of the urgent needs of the recipient countries.

Under the Foreign Aid Act authority to grant additional assistance to France, Austria, and Italy will expire on April 1, 1948. In view of this situation, in view of the compelling needs of other participating countries, and in order to prevent delay in carrying out the objectives of this act, the committee agreed that the same procedure should be followed. Accordingly the bill authorizes the Reconstruction Finance Corporation to make advances not to exceed \$1,000,000,000 in the aggregate in such manner as the President shall determine in carrying out the program:

46. THE EUROPEAN RECOVERY PROGRAM AND THE UNITED STATES MILITARY ESTABLISHMENT

In considering the cost of the European recovery program some people ask whether the United States can afford to participate in such a program. It is just as pertinent to ask whether the United States can afford not to participate.

There are, in effect, two possible courses which the United States might follow in the pursuit of national security. On the one hand, we might cooperate fully with the other nations in an earnest attempt to establish and maintain those economic conditions in the world which are essential to international peace and prosperity. This is the purpose of our participation in the European recovery program.

If, on the other hand, the road of international cooperation is abandoned, then the United States would have no alternative but to greatly expand and strengthen its military establishments so as to be ready for any eventuality in a divided and uncertain world.

This point was emphasized by Secretary Royall and Secretary Forrestal in their testimony before the committee. Secretary Royall pointed out that if an adequate recovery program were not inaugurated the Department of the Army, in the interests of national security, would be compelled to seek an additional appropriation of at least 2¼ billion dollars for the Army and the Air Forces alone for the next fiscal year. He said that the Army would have to modernize existing equipment, purchase new types of equipment developed since the war, and resort to the draft unless some other methods of increasing voluntary enlistment could be devised. Secretary Forrestal also testified that an over-all increase of from 25 to 50 percent in defense appropriations would be necessary if there were no recovery program.

Viewed in this light the cost of the European recovery program may be compared to the premium on an insurance policy. Certainly it would be far less expensive than if the United States were to stand alone in isolation in a chaotic world. Moreover, it should be remembered that increased defense expenditures constitute, not a 4-year, but a perpetual commitment, with the amount tending to increase each year in proportion to the development of disorder and chaos in the world. The committee is convinced that the European recovery program is a calculated risk which the United States cannot afford to reject.

47. FINANCING FROM SOURCES OTHER THAN UNITED STATES GOVERNMENT FUNDS

The committee agreed that wherever feasible the balance of payments deficits of the participating countries should be financed from sources other than the United States Treasury.

The estimate of the executive branch anticipated that \$1,285,000,000 of financing will be available in the first 15-month period from the following sources: \$500,000,000 from the International Bank, private investments, and the remaining portion of outstanding Export-Import Bank credits; \$700,000,000 from credits advanced by other countries in the Western Hemisphere; and \$85,000,000 from certain of the participating countries.

The committee understands that the Harriman committee estimated the sources of other financing would amount to \$1,250,000,000 in 1948; \$750,000,000 from the International Bank; \$450,000,000 from other countries in the Western Hemisphere; and \$50,000,000 from private investment.

Mr. John J. McCloy, President of the International Bank for Reconstruction and Development, informed the committee that the executive branch's estimates of financing from other sources are high rather than low, largely because he does not believe that credits will be available from other Western Hemisphere countries in the assumed amount.

The committee believes that the United States should encourage other Western Hemisphere countries, in their interest as well as ours, to finance from their resources as much as possible of the import

deficit of the participating countries. The committee took this factor into account in formulating its decision on the authorization of purchases from sources outside the United States. A reasonable expectation, therefore, is that the other Western Hemisphere countries might be able to finance about \$700,000,000 of the deficit of the participating countries in the first 15 months of the program. To rely on any larger amount would be unrealistic in view of the present dollar exchange difficulties of Canada and certain other American countries.

48. THE ROLE OF THE INTERNATIONAL BANK

Many people have inquired about the legitimate role of the International Bank for Reconstruction and Development in the European recovery program. Since this agency was created for the express purpose of assisting in reconstruction and development projects in the postwar world, why should it not assume a major share of the burden of the program?

Mr. John J. McCloy, president of the bank, appeared before the committee during the hearings and answered that question very categorically. Up to the present time the Bank has made four loans: \$250,000,000 to France, \$195,000,000 to the Netherlands, \$40,000,000 to Denmark, and \$12,000,000 to Luxemburg. But there are many additional applications for loans and it must be kept in mind that the bank must serve 46 States and not just 16. Moreover, as Mr. McCloy pointed out, the bank has less than \$500,000,000 to lend at the present time. Finally, because of the express limitations of its charter, the bank can lend only to those countries with long range reconstruction and development programs and whose credit standing indicates that repayment prospects are good.

It follows that the bank cannot be counted on as one of the major resources available during the initial period of the program. The committee believed, however, that it could best be tied into later stages when more stable economic conditions exist in Europe and when long range development projects can be more properly financed on the basis of hard loans. Following is an outline of the bank's capital stock and the dollars available for lending:

International Bank for Reconstruction and Development—Outline of capital stock and dollars available for lending

Capital stock:

Authorized (100,000 shares)-----	\$10, 000, 000, 000
Subscribed (82,631 shares)-----	8, 263, 100, 000
Paid in—	
2 percent in gold or United States dollars-----	165, 262, 000
18 percent in currencies of the 46 members-----	1, 487, 358, 000
Total paid in-----	1, 652, 620, 000
80 percent subject to call on the United States to meet obligations of the bank. \$2, 540, 000, 000	
80 percent subject to call on other member countries to meet obligations of the bank-----	4, 070, 480, 000
	6, 610, 480, 000
Total-----	8, 263, 100, 000

International Bank for Reconstruction and Development—Outline of capital stock and dollars available for lending—Continued

Dollars available for lending:

2 percent in gold or United States dollars-----	\$165, 262, 000
18 percent of United States subscription-----	571, 500, 000
Available dollar capital-----	736, 762, 000
Proceeds of sale of bonds (July 15, 1947)-----	250, 000, 000
Total dollars available for lending-----	986, 762, 000
Loans agreed to-----	497, 000, 000
Balance of dollars available for loans-----	489, 762, 000

49. ROLE OF PRIVATE ENTERPRISE

As a result of the economic conditions brought on by the war, private enterprise has not been in a position to provide substantial assistance to the devastated countries of Europe. One incontrovertible fact is that the magnitude of the problem is such as to make it unrealistic to expect that recovery can be effected at this time through assistance rendered primarily by private enterprise. There is no doubt, however, that as the recovery program progresses, private enterprise will be able to play an increasingly important role. In fact, the committee is convinced that an essential element of this program will be the encouragement by the Administrator of private enterprise to contribute through its initiative and capital in the reconstruction and development of Europe.

Even today, however, American business interests are prepared to assume business risks abroad, provided they have assurance that they will be able to transfer foreign currency proceeds into dollars. Accordingly, authorization is given the Administrator to make guaranties for the transfer into dollars of local currency proceeds realized from newly made investments, including loans, approved by both the participating country and the Administrator. This authorization, which is limited to 5 percent of the funds appropriated, does not provide for the underwriting of normal business risks; it deals only with guaranties of transferability from local currencies to dollars. These guaranties are to be made only with respect to projects which further the recovery program.

The committee also agreed that American business enterprise and technical know-how should prove of great value to the Administrator in a consultative capacity. To this end, a provision has been inserted in the bill authorizing the Administrator to employ not only consultants but organizations of consultants to assist him in this program.

50. PRIVATE VOLUNTARY AMERICAN RELIEF TO FOREIGN COUNTRIES

The committee noted with satisfaction that between July 1, 1945, and June 1947, private gifts and grants-in-aid amounted to \$1,451,000,000.

It is desirable that private aid continue and that all voluntary agencies engaged in foreign aid should register with the Advisory Committee on Voluntary Aid.

This program, however, is essentially a recovery program. The private relief has an elasticity that governmental programs do not have. Frequently it covers needs not otherwise met such as special

diets for invalids and the rehabilitation of displaced persons. The committee has been impressed by the repeated testimony which demonstrated that individual American participation in European aid elicits many responses of good will.

51. THE USE OF FOREIGN-OWNED UNITED STATES ASSETS

The committee deemed it desirable that the participating countries, to the extent practicable, should take measures to locate and control the assets held by their citizens in this country and the earnings from these assets so that the dollar incomes would be available to foreign governments to further the purposes of this act. This does not mean that the foreign governments must seize or liquidate private assets held by their citizens. It is not considered desirable to require the liquidation of such assets and thus deprive European countries of reserves which they may need either to achieve economic stability or to meet inevitable emergency requirements for which the program does not fully provide.

In view of the cost of this program to the American taxpayer, it is the intent of the committee that all idle, hoarded, or unproductive assets should be put to use. The precise form of use will necessarily vary according to the circumstances of the particular country and the nature of the assets.

As of the middle of 1947, the CEEC countries held \$7,094,000,000 in United States assets. The total long-term assets amounted to \$4,930,000,000; about \$2,200,000,000 of this represents stocks and bonds, the bulk of which are probably of a readily marketable character. Short-term assets amount to \$2,164,000,000. In the present crisis, many foreign countries have already drawn their reserves below what ordinarily would be regarded as a prudent level. Depletion of these reserves delays and jeopardizes the restoration of international convertibility of currencies and expanded international trade and investments.

It is important to distinguish between blocked assets and free assets. During the course of the hearings, the Secretary of the Treasury started to free \$1,100,000,000 of blocked assets to help the recipient countries to obtain control of them. These assets have been concealed contrary to the laws and national interests of the countries concerned. The recipient countries can perhaps count on obtaining in the next 12 months a part of the 400 million dollars estimated to be held directly in the United States for resident nationals of these countries. The largest portion of the 400 million dollars of directly held assets, namely, 100 to 150 million dollars, is owned by French citizens, and the French Government is making every effort to mobilize these resources.

Two other related matters may be mentioned here: The pledging of foreign-owned assets and gold reserves. (a) The pledging of foreign-owned assets in the United States as collateral for loans is not without precedent. However, this would normally involve the nationalization or seizure of such assets by governments—a step which is contrary to the philosophy of the bill. (b) The CEEC countries held about \$6,568,000,000 in gold reserves as of June 30, 1947. There have been serious drains on these reserves since that date. Most of the participating countries have already drawn their gold reserves

below levels necessary to provide adequate working capital for their international trade or adequate backing to maintain sound currencies. It may be noted during 1947 the net increase in United States gold holdings was close to \$1,900,000,000, a factor which has aggravated the exchange position of other countries.

52. THE EXTENT OF PRIVATE GOLD HOARDING

The committee properly took account of the fact that concealed private gold hoardings do not work for the recovery of the European countries. Popular discussions have mentioned such hoardings to the extent of \$3,000,000,000 for France alone. The Secretary of the Treasury testified that the actual amount of private gold hoarding is unknown, but that it may be inferred from existing evidence that the actual figure is of much smaller dimensions than \$3,000,000,000. In fact, statistics on gold production and gold reserves would indicate that there has not been an increase in gold hoarding since the outbreak of the war, and that the private holdings in all of western Europe at that time was considerably less than \$1,000,000,000. The recovery program, by working toward the stabilization of European currencies, will provide the conditions which will bring gold out of hoarding and into the hands of the monetary authorities.

53. DURATION OF THE PROGRAM

The committee felt strongly that authorization for this program should extend through June 30, 1952, approximately 4 years, so that the maximum results could be achieved from the pledges and undertakings of the participating countries. This assurance of the United States should enable the participating countries to demonstrate their intent to take courageous and wise measures of self-help and mutual cooperation. Many of the recovery benefits of this program will only just begin to appear in the first 12 months' period.

After June 30, 1952, or after the date of the passage of a concurrent resolution by the two Houses of Congress before that date, the Administrator is allowed a period of 12 months to wind up operations. The committee rejected an earlier proposal which would have allowed 3 years for liquidating operations.

It should be pointed out that the termination provisions will not invalidate agreements for the transfer of materials to the United States under the program, or the guarantees to private investors made by the Administrator in connection with approved projects. Such agreements and guaranties are explained in other sections of this report.

PART VII. RECOMMENDATIONS OF THE COMMITTEE

54. CONCLUSION

On February the 13 the committee concluded its deliberations and unanimously voted to report the bill to the Senate for favorable action.

The committee believes that the program proposed is a sound one, that it will impose no dangerous strain upon the economy of the

United States, and that it will be adequate to provide the margin for success in an effort which must be essentially and primarily European.

This kind of assistance, in peacetime, is without precedent in the history of mankind. This assistance is not, and cannot be, a permanent feature of American foreign policy. For Americans, the approval of this act represents a major decision. If Europeans fully understand this decision, they will realize that the United States is making adjustments almost as severe as they are likely to call upon each other to make. Above the details of the legislation, the debates, the statistics, and the work sheets, it is the expression of a great ideal of common welfare and peace. This ideal must become the common currency among the peoples of the world.

APPENDIXES

APPENDIX I

SECTION BY SECTION ANALYSIS OF THE ECONOMIC COOPERATION ACT OF 1948

Section 1: Section 1 contains the short title of the bill.

Section 2 (a): After setting forth the congressional findings, this subsection states the policy of the bill.

Section 2 (b): The stated purpose of the bill is to effectuate the policy set forth in section 2 (a).

Section 3: This section defines the term "participating country."

The term "dependent areas under its administration," as used in this section, is intended to refer to all colonies and dependencies of a participating country and to trust territories administered by a participating country under the international trusteeship system of the United Nations. Action under the bill in respect of all such areas would have to be consistent with the principles set forth in article 73 of the Charter of the United Nations and, as regards trust territories, consistent also with the terms of the relevant trusteeship agreement.

Section 4 (a): This subsection establishes the Economic Cooperation Administration and the office of the Administrator.

Section 4 (b): This subsection establishes the office of the Deputy Administrator for Economic Cooperation.

Section 4 (c): This subsection assures the possibility of commencement of operations as soon as possible after the bill's passage, even though it may not have been possible for the first Administrator or Deputy Administrator to take office. The President is authorized, in such event and for a period of not more than 30 days after the date of enactment of the bill, to provide for the performance of the functions of the Administrator through such agencies of the Government as he may determine. However, if the President nominates an Administrator or Deputy Administrator during such 30-day period, the authority of the President to provide for the performance of the Administrator's functions through other agencies of the Government will continue until the Administrator or Deputy Administrator takes office.

Section 4 (d): This subsection authorizes the Administration, or any other department, agency, or establishment of the Government performing functions under the bill, to employ personnel for duty within the continental limits of the United States. Employment of personnel for service in the District of Columbia and elsewhere in the United States under this authority is not subject to the personnel ceilings imposed by section 14 (a) of the Federal Employees Pay Act of 1946. The Administrator is given authority to compensate not more than

60 of the persons performing duties within the United States without regard to the provisions of the Classification Act of 1923, and to compensate not more than 10 of these persons at rates up to \$15,000 per year. In addition, this subsection authorizes the employment by the Administration of experts and consultants, or organizations of experts or consultants, such as engineering and accounting firms, and individuals so employed may be compensated at rates up to \$50 per day. The number of experts and consultants who may be compensated up to the amount specified in this subsection is not limited. Payments to organizations employed by the Administration under this subsection may be made at such rates and in such manner as the Administrator may authorize in contracts with such organizations.

Section 4 (e): This section, which authorizes the Administrator or the head of any other department, agency, or establishment of the Government performing functions under the bill, to promulgate necessary rules and regulations and to delegate authority to his subordinates to perform his functions under the bill, is consistent with standard administrative procedures. The subsection is not intended to permit the delegation of rule-making power to subordinates.

Section 5 (a): This subsection enumerates certain functions to be performed by the Administrator. The authority of the Administrator to formulate programs of United States assistance under the bill includes authority to approve specific projects which may be proposed to him by a participating country, to be undertaken by such country in substantial part with assistance furnished under the bill. This authority is designed to implement the undertaking provided for in section 15 (b) (1) of the bill.

The authority reposed in the Administrator to provide for the efficient execution of programs refers to the effective performance on the part of agencies of the United States Government with respect to services rendered by such agencies, under approved programs, in procurement, storage, transportation, or other handling necessary to insure the transfer of commodities in conformity with the programs.

Section 5 (b): This subsection prescribes arrangements under which the Administrator and the Secretary of State will concert their respective activities so as to strengthen and make more effective the conduct of the foreign relations of the United States. To this end effective working relations should be established between the Administration and the Department of State.

Section 6: Under this section the Administrator is made a member of the National Advisory Council on International Monetary and Financial Problems during the existence of the Administration.

Section 7 (a): This subsection creates a Public Advisory Board, to advise and consult with the Administrator with respect to general or basic policy matters arising in connection with the Administrator's discharge of his responsibilities.

Section 7 (b): This subsection authorizes the Administrator to establish other advisory committees. Members of such committees may receive compensation in accordance with the provisions of section 4 (d) relating to experts and consultants employed by the Administration.

Section 8: This section provides for a United States special representative in Europe.

Section 9 (a): This subsection provides for the establishment of special ECA missions abroad. The chief of a special mission is to be second in rank to the Ambassador, Minister, or chargé d'affaires ad interim, as the case may be, in charge of the United States diplomatic mission.

Section 9 (b): This subsection assures proper coordination between the chief of the special mission and the chief of the United States diplomatic mission.

Section 9 (c): In order to assure that the United States special representative in Europe and his staff, as well as the ECA mission in each participating country, will receive office space, facilities, and other administrative services, the Secretary of State and the Administrator are authorized to make appropriate agreements to this end.

Section 9 (d): In view of the special circumstances existing in the zones of occupation of Germany, this subsection provides that in place of the establishment of special ECA missions, the President shall make appropriate administrative arrangements with respect to the zones of occupation of Germany in order to enable the Administrator to carry out his responsibility to assure the accomplishment of the purposes of this act. Similar arrangements may be provided for the zones of the Free Territory of Trieste if either of the zones of the Free Territory of Trieste becomes a participating country as defined in section 3.

Section 10 (a): Under this subsection two alternative procedures are made available to the Administrator for the employment of personnel for the purpose of performing functions under this bill outside the continental limits of the United States. Under the first of the procedures, such personnel will be outside the Foreign Service system but will receive compensation, allowances, and benefits comparable to those provided for Foreign Service reserve and Foreign Service staff officers and employees.

Under the second procedure, the Administrator may recommend to the Secretary of State persons to be appointed or assigned as Foreign Service reserve officers or as Foreign Service staff officers and employees for the purpose of performing operations under the bill outside the continental limits of the United States. Foreign Service staff officers and employees appointed from other Government agencies pursuant to this procedure may be given the same reemployment rights as are provided for Foreign Service reserve officers by section 528 of the Foreign Service Act of 1946. The assignment to a post abroad or the transfer from one post abroad to another and the promotion of persons appointed to the Foreign Service reserve or staff under this section are to be made by the Secretary upon the recommendation of the Administrator.

Thus, the pay scale of all persons appointed pursuant to this subsection will range from \$720 to \$13,500, exclusive of allowances for quarters, cost of living, and representation.

It is contemplated that the two procedures outlined above are to be mutually exclusive. It is left to the judgment of the Administrator with respect to each appointment, whether such appointment should be within or outside the Foreign Service system. Under existing legislation there is nothing to prevent the Secretary of State, at the request of the Administrator, from assigning officers in the Foreign Service system to perform functions under this bill. In such event

such officers could be paid out of funds made available in accordance with section 14 (d) of this bill.

Section 10 (b): This subsection provides for the appointment of alien clerks and employees for duty outside the continental limits of the United States.

Section 10 (c): This subsection deals with the investigation of citizens or residents of the United States who are appointed pursuant to section 10 for the performance of functions under the bill.

Section 11: This section prescribes the forms and procedures by which the Administrator may provide assistance to a participating country, and the methods of furnishing such assistance. Under the authority of this section, and with the funds authorized under section 14, the Administrator will be able to launch immediately into operations which will relieve the drain on the dollar assets of the participating countries. These assets are now being drained at a rate which will, shortly after April 1, leave several participating countries without any dollar assets available, as a practical matter, for purchasing essential commodities in dollar areas. These countries, however, will then have under contract or on hand in the United States a substantial quantity of commodities for delivery in the ensuing months. These undelivered commodities comprise the "pipe line" of supply to the countries concerned. Those commodities in the "pipe line" which are eligible for provision under this bill, may be financed by the Administrator out of funds made available under the bill, as part of the assistance to be provided thereunder. As in the case of the Foreign Aid Act of 1947, under which the same type of operation was authorized, the "pipe line" at any moment will embrace commodities not theretofore landed in the territory of a participating country. The language of the present bill will permit the Administrator to arrange for this important aspect of assistance.

Section 11 (a): This subsection authorizes the Administrator to furnish assistance to any participating country, in the forms prescribed. He may provide for procurement of any commodity which he determines to be required for the furtherance of the purposes of the bill. The authority to procure "from any source" provided in paragraph 1 includes the authority to procure "offshore," that is, from outside the territory of the United States.

The term "commodity" is broadly defined, except that the reference to merchant vessels is limited to vessels chartered under the authority set forth in paragraph 4 of this subsection. The Administrator is authorized to furnish technical information or technical personnel for instruction purposes to a participating country; as well as other forms of technical information and assistance.

Merchant vessels chartered under authority of this subsection under such terms and conditions as the Administration may determine while being operated by a participating country, will not be subject to laws designed to control the operation of United States vessels.

The provision authorizing transfer of any commodity or service is intended to authorize the actual delivery of a commodity into the custody of a participating country, or the rendering of a service for such country. These acts represent the actual rendering of the assistance authorized under the program. By defining transfer as the act of delivery or of rendering a service, a standard is established for measuring the amount of assistance actually provided for a participating

country. This measure is important in connection with fiscal operations and in the preparation of reports on operations under the bill. The paragraph authorizes transfer not only to a participating country itself, but to any agency or organization representing such country. Under this authority, commodities, for example, could be delivered directly to business firms designated by the participating country as its agent to receive such commodities or to an organization representing a group of such countries.

Section 11 (b): This subsection prescribes the method under which the Administrator may provide the types of assistance authorized under section 11 (a).

Paragraph (1) of section 11 (b) authorizes the Administrator, for the purpose of facilitating procurement, to establish accounts on the books of the Administration, or of any other department, agency, or establishment of the Government, or, on terms and conditions approved by the Secretary of the Treasury, in United States banking institutions (including their overseas branches). In addition to authorizing Government procurement through procedures specified herein, the paragraph will enable the Administrator to permit utilization of normal trade channels, with adequate safeguards to assure proper expenditure for approved purposes.

Under subparagraph (i) a letter of commitment could be issued by the Administrator to participating countries, in order to facilitate their contracting with suppliers, or could be issued to suppliers. The letter of commitment would embody a commitment on the part of the Administrator to make payment for the furnishing of specified commodities, upon presentation of the letter of commitment, together with contracts, invoices, bills of lading, or other supporting documents enumerated therein sufficient to demonstrate that the funds are being properly spent for approved purposes. The utilization of this procedure, in effect, would enable a participating country to institute essential approved procurement without the necessity for borrowing, or immobilizing its scarce dollar reserves by furnishing an irrevocable letter of credit to a supplier. Such borrowing, or the furnishing of an irrevocable letter of credit, has frequently been required of foreign countries making contracts in the United States in order to relieve the supplier of credit risk. A letter of commitment, which would create an obligation against appropriations made under authority of the bill, would normally be used by a supplier in the place of an irrevocable letter of credit and on the same basis as a United States Government contract to purchase, and the supplier could use the letter of commitment for his own credit arrangements in the same way as he could use a United States Government contract.

Subparagraph (ii) of this subsection authorizes the Administrator to permit withdrawals, against an established account, by a participating country. The Administrator would specify the documents which must be submitted to effect withdrawals, in order to assure full compliance with the terms and conditions of the supply program.

The foregoing procedures will permit the Administrator, acting within prudent limits, to authorize advances for the making of payments by or on behalf of participating countries, and to authorize reimbursement to such countries for payments already made by them for approved commodities. Such payment or reimbursement can be effected without requiring the submission of all documents

which are ordinarily prerequisite to the expenditure of United States Government funds. This will make possible procurement in a businesslike manner, through normal channels of trade, subject to adequate safeguards established by the Administrator to demonstrate that all expenditures are within the approved program and in accordance with the terms and conditions established by the Administrator for such expenditures. The safeguards will enable him to make certain that amounts authorized to be withdrawn will not exceed the needs of participating countries to make current dollar payments for approved supply items. In addition, the Administrator will be in a position to assure that the timing and method of procurement is consistent with the best interests of the domestic economy of the United States. However, this subsection requires, with respect to procurement within the United States, the eventual submission of all standard documents necessary for auditing purposes. Experience has shown that, with respect to procurement outside the United States, particularly through normal trade channels, it is frequently impossible to obtain all the standard documentation required for auditing of accounts. Hence, the Administrator is authorized to prescribe the documents required in support of expenditures for offshore procurement.

Paragraph (2) of subsection (b) permits the utilization by the administrator of any department, agency or establishment of the Government in connection with provisions of assistance under the bill. This authority includes procurement through regular Government procurement agencies. Funds allocated to any such agency out of funds appropriated under authority of the bill will be established in separate appropriation accounts in the Treasury. The paragraph also authorizes the provision of assistance through action and cooperation with the United Nations, with other international organizations or with agencies of the participating countries.

Paragraph (3) authorizes the Administrator to make guaranties for the transfer into dollars of local currency proceeds from projects abroad, under conditions and subject to the limitations contained in the paragraph. The approval of the Administrator will be expressed through the guaranty contract with the American investor. The approval power will not stop with the writing of the guaranty contract itself. Regulations will be promulgated by the Administrator to assure a follow-up to determine that the agreed amount of dollars have actually been invested, that the resulting investment is reasonably related to the recovery purposes for which the guaranty was extended, and that the local currency proceeds tendered for transfer into dollars are justifiably attributable to the guaranty investment. The term "investment" includes loan, as well as so-called equity, investments.

It is expected that upon the termination of the administration in 1953, a statute would be enacted providing for the liquidation of the transfer guaranty in the period following 1953, and would designate or provide for the funds to be used for this purpose.

(c) This subsection specifies the financial terms pursuant to which the Administrator may provide assistance to a participating country.

The provision for consultation between the Administrator and the National Advisory Council in this subsection (as well as in subsec. (2) of this section and par. (6) of sec. 15 (b)) contemplates that if,

after such consultation, differences of view remain, the matter in disagreement will be referred to the President for final decision. When it is determined that it is appropriate to provide assistance to a participating country on a loan basis, the Administrator will allocate funds for this purpose to the Export-Import Bank of Washington which will make and administer the credit as directed and on terms specified by the Administrator in consultation with the National Advisory Council.

Section 12 (a): This provision is designed to assure the protection of the domestic economy.

Section 12 (b): This subsection provides an added measure to assure the protection of the domestic economy by avoiding unnecessary drains upon petroleum and petroleum products of the United States.

Section 12 (c): Under this subsection the Administrator in the procurement of agricultural commodities within the United States for transfer by grant to any participating country will procure an amount of each class or type of each such commodity approximately proportionate to the total exportable surplus of such class or type of such commodity. The application of this subsection is qualified by the following conditions: (1) The agricultural commodities must not be in short supply in the United States; (2) the class or type must be within the requirements of the participating country for which the procurement is being provided; (3) the procurement of a proportionate amount of each class or type must be administratively practicable; and (4) such procurement should not hinder, but should be in furtherance of the purposes of the act.

Section 13 (a): From time to time assistance for the participating countries will take the form of commodities that are normally procured by United States Government departments, agencies, and establishments for their own purposes. Similarly, assistance will sometimes be provided in the form of services that can readily be rendered by such departments, agencies, or establishments. Under this subsection whenever such commodities or services, or facilities, are made available to participating countries, the departments, agencies, or establishments from which such commodities, services, or facilities are obtained will be reimbursed out of funds appropriated under this bill. This subsection also prescribes the procedures under which such reimbursement will be effected.

Section 13 (b): Cases will arise in the course of operations under this bill when commodities procured under a program of assistance to the participating countries (1) can fill some more urgent need of the United States Government; (2) are determined no longer to be appropriate for transfer under the original program; or (3) are in danger of spoilage or wastage, or must be disposed of in order to conserve their usefulness. In such cases, under this subsection, the Administrator may dispose of such commodities in the best interests of the Government of the United States, in accordance with the procedures set forth in this subsection.

Section 14 (a): This subsection authorizes an advance from the Reconstruction Finance Corporation of \$1,000,000,000 in order to permit operations pending enactment of an appropriation act. In authorizing this advance this subsection provides a procedure, standard in laws of this character, to permit immediate start of

operations once the authorizing legislation is enacted. In view of the urgent need of making assistance available to the participating countries and to keep the pipe lines flowing, the committee has considered the sum of \$1,000,000,000 essential for that purpose pending consideration and enactment of an appropriation act.

Section 14 (b): This subsection is a precautionary measure, the purpose of which is to assure that any unused balances of funds under the Foreign Aid Act of 1947 shall be available for carrying out the purposes of this bill.

Section 14 (c): This subsection contains the standard authorization for appropriations. The introductory language, referring to those participating countries which adhere to the purposes of the bill and remain eligible to receive assistance thereunder, merely restates and reflects the conditions precedent to the receipt of assistance which are set forth in other provisions of the bill. The language is not intended to impose a new condition, and the tests for eligibility are provided elsewhere in the bill, as well as the methods of determining eligibility. While this subsection authorizes appropriations without any specific limitation as to amount, for the period believed essential for the execution the recovery program, it limits the amount which may be appropriated for the period of 1 year following the date of enactment of this bill to \$5,300,000,000. This will permit a congressional review of operations under the bill early in the next session of Congress, without jeopardizing the accomplishment of the purposes of the bill.

Section 14 (d): This subsection gives general authority to use the funds made available under this bill for all the various incidental expenses that will be found essential to effective operations. It specifically authorizes the use of such funds for administrative expenses and compensation of various classes of personnel and permits the disregard of certain laws that would unduly hamper the type of operations that will be necessary in an unusual program of this type.

Section 14 (e): This subsection authorizes the merger of local-currency deposits made under the Relief Assistance Act and the Foreign Aid Act of 1947 with similar local-currency deposits to be made under this bill. Such local-currency deposits if so merged, would then be held for use in accordance with the terms and conditions specified in paragraph (6) of subsection 15 (b) of this bill. This section, when enacted into law, will provide the congressional approval required by the Relief Assistance Act and the Foreign Aid Act of 1947 for the deposit of the unexpended balances remaining in the local-currency accounts established under such act. Thus uniformity in the ultimate disposition of all these balances will be assured in accordance with the policies established in this bill.

Section 14 (f): This subsection establishes a foreign economic trust fund consisting of \$3,000,000,000 of the funds appropriated for the first 12 months of operations under the bill, and requires that expenditures made for carrying out this bill during such period will first be met out of such trust fund. When the \$3,000,000,000 placed in the trust fund has been exhausted by these expenditures, future expenditures will be made out of appropriation accounts in the customary manner. From the point of view of the Administrator's operations under the act, the trust fund will be utilized in exactly the same manner as ordinary appropriation accounts. The only difference which will result from the creation of a trust fund is the recording of the

expenditure of the \$3,000,000,000 as part of the budgetary expenditures of the fiscal year ending June 30, 1948.

Section 15 (a): This subsection authorizes the Secretary of State, after consultation with the Administrator, to conclude such agreements as may be necessary in furtherance of the purposes of this bill.

Section 15 (b): This subsection provides that in addition to the multilateral reciprocal pledges to be given among themselves, each participating country to be eligible to receive assistance under this bill, will be required to conclude an executive agreement with the United States. Inasmuch as the purpose of the bill, as stated in section 2 (b), is to effectuate the policy set forth in section 2 (a) of the bill, this portion of the bilateral agreement will, in effect, constitute an undertaking by each participating country to adhere to the policies of the bill governing the objectives in Europe of the program. In addition, subsection (b) enumerates certain provisions which will, where applicable, be embodied in the bilateral agreement between each participating country and the United States.

The first of these provisions embodies an undertaking by the country concerned to promote industrial and agricultural production in order to enable such country to become independent of extraordinary outside economic assistance. It also makes clear that the Administrator has authority to approve specific projects which may be proposed by a participating country to be undertaken in substantial part with assistance provided under the bill and is designed to further the purposes of the bill.

Paragraph (5) of section 15 (b) is designed to make available to the United States in accordance with the terms of the paragraph, materials required by the United States as a result of deficiencies or potential deficiencies in its own resources. Agreements with participating countries for the transfer of such materials may extend beyond the period of the bill and will specify the terms and quantities governing the transfer of such materials.

In addition to providing for reports to the United States by each participating country on operations under the agreement, paragraph (7) also assures that adequate publicity will be given within each participating country by the government of such country to United States assistance furnished under the bill.

Section 15 (c): Detailed and comprehensive agreements such as are contemplated under subsection (b) may well require some time to conclude, particularly since the constitutional systems of some participating countries require that agreements of this character be submitted to their legislatures for ratification. Accordingly, subsection (c) authorizes the Administrator, for a period of 3 months after the date of enactment of this bill, to provide assistance to any participating country in accordance with the terms of the bill whenever such country has signified its adherence to the purpose of the bill and its intention to conclude an agreement in accordance with subsection (b) of this section and provided that the Administrator finds that such country is complying with those provisions of subsection (b) as he may determine to be applicable. In order to assure that conditions of hunger and cold will be alleviated and economic retrogression will be avoided, the Administrator is further authorized through June 30, 1948, to provide for the transfer of stated essential subsistence items

even though it has not been possible within that period to complete the interim arrangements contemplated by this subsection.

Section 15 (d): The follow-up system contemplated in this subsection will supplement that provided for the Administrator by the special missions established under section 9 of the bill.

Section 16: This section is designed to make possible the use of funds appropriated under authority of this bill to increase the production in participating countries of materials required by the United States as a result of deficiencies or potential deficiencies in its own resources.

Section 17: This section authorizes the Administrator in certain circumstances to terminate assistance to any participating country. In certain cases, viewed in the light of the nature or circumstance of a violation, certain corrective or preventive action by the Administrator, or by other agencies of the Government may be more appropriate than termination of assistance. Accordingly, under this section, the Administrator may provide for, or recommend to the President or to the appropriate agency of the Government, the taking of such action.

Section 18: This provision is necessary in order to provide flexibility in connection with the procurement and shipment of commodities and other similar operations under the bill. Among the laws concerning which it can be expected that this authority will be exercised by the President are:

1. R. S. 3648—Advances of Public Money; Prohibition Against. This law generally prohibits advance payments out of public funds for articles or services prior to receipt of such articles or services.

2. R. S. 3709—Advertising for Purchases and Contracts. This law requires generally advertising for all Government purchases.

3. R. S. 3710—Opening of Bids. This law provides that all persons bidding on Government contracts must be given an opportunity to be present at the opening of bids.

4. 47 Stat. 1520—American Materials Required for Public Use. This law, known as the Buy American Act, requires the purchase of raw and finished material produced in the United States if they are intended for United States public use.

The general authority for exemption from laws such as those referred to above will also permit waiver in cases where a law specifically requires a finding to be made by the heads of various departments before operations may be carried on with regard thereto. Such requirements could delay operations to an extent which would be harmful in an urgent program of this type. In order to assure that the power of waiver will be employed only where essential, the bill provides that the President must specify which laws are to be waived.

Section 19: The purpose of this section is to make it possible for persons to serve on the Public Advisory Board or on any [other] advisory committee established under the authority of section 7 (b), or as a consultant to assist the Administrator in carrying out this bill, despite the participation of such a person in activities, as part of his regular business operations, which would bring him within the prohibition of certain existing Federal laws. Under existing legislation it is unlawful, for example, for a person to act as attorney or agent in the prosecution of a claim against the Government while such person is serving as an official or employee of the Government. This type

of legislation is necessary and proper in connection with ordinary operations of the Government. However, it is extremely desirable in connection with the European recovery program to permit the employment of experienced lawyers and businessmen. Legislation of the type waived by section 19 would unduly restrict the participation of such persons in the program. This was demonstrated during the war when similar exemptions were permitted in order to enable greater participation of businessmen in connection with wartime programs.

Section 20: This section deals with the utilization of the services and facilities of the United Nations, its specialized agencies, and other international organizations and provides for the procedures to be followed in order to keep the United Nations informed of operations under this bill.

Section 21 (a): This subsection provides that operations under the bill are to be terminated on June 30, 1952, or prior thereto if the two Houses of Congress shall pass a resolution declaring that such operations should be terminated. The operations to which this provision applies are those set forth in section 11 (a), namely, the various methods by which assistance may be rendered to the participating countries. An exception to the terms of the provision will permit the completion of commitments made by the Administrator prior to June 30, 1952. Hence, if the Administrator has authorized the procurement of a commodity prior to June 30, 1952, but shipment or delivery to the participating country has not been effected prior to that date, these functions may be performed after that date to the extent necessary to carry out such commitment. This subsection also permits contracts to be made after June 30, 1952, to the extent necessary to carry out these commitments. For example, the Administrator may use funds appropriated under this bill for payment of freight on commodities shipped during the 12-month period following June 30, 1952, if such commodities are procured under a commitment entered into by the Administrator prior to that date. It is believed that, by limiting the period during which these operations may be continued to 12 months, this bill provides assurance that operations will be completely terminated at the earliest date consistent with the effective carrying out of the purposes of the bill.

Section 21 (b): Under this subsection, the liquidating activities under this program, at such time after June 30, 1952, as the President may find appropriate, may be transferred to such departments, agencies, or establishments of the Government as the President finds appropriate.

Section 22: Section 22, by providing that the President must at least once every calendar quarter until June 1952, and once every year thereafter until all operations under this bill have been completed, transmit to Congress a report of operations under this bill, assures that the Congress will be kept currently informed of such operations.

Section 23: This section provides for the establishment of a joint congressional committee. It is to be noted that the authorization in section 23 (d) to appropriate funds for use by the joint commission is separate from, and in addition to, the authorization to appropriate funds in section 14.

Section 24: This section contains the usual separability provision.

APPENDIX II

Witnesses appearing before the committee

Date of appearance	Name	Affiliation
January 8.....	George C. Marshall.....	Secretary of State.
Jan. 9, 10, 12.....	Lewis W. Douglas.....	Ambassador to Great Britain.
Jan. 12.....	W. Averell Harriman.....	Secretary of Commerce.
Jan. 13.....	Clinton P. Anderson.....	Secretary of Agriculture.
	Julius A. Krug.....	Secretary of the Interior.
Jan. 14.....	John W. Snyder.....	Secretary of the Treasury.
	William McChesney Martin, Jr.....	Chairman of the Board of Directors of the Export-Import Bank.
	Kenneth C. Royall.....	Secretary of the Army.
Jan. 15.....	James V. Forrestal.....	Secretary of Defense.
Jan. 16.....	John J. McCloy.....	President, International Bank for Reconstruction and Development.
Jan. 19.....	Bernard Baruch.....	Attorney.
Jan. 20.....	John Foster Dulles.....	Chairman of the board, Washington Post.
	Eugene Meyer.....	President, American Rolling Mills Co.
	Charles R. Hook.....	President, American Council on Education.
	George F. Zook.....	Director, Population Reference Bureau.
	Guy I. Burch.....	First vice president, League of Women Voters.
	Kathryn H. Stone (Mrs.).....	National commander, The American Legion.
Jan. 21.....	James F. O'Neil.....	Commander in chief, Veterans of Foreign Wars.
	Ray H. Branaman.....	National planning committee, American Veterans' Committee.
	Oren Root, Jr.....	National legislative director, American Veterans of World War II.
	Ray Sawyer.....	Financial editor, Newsweek.
Jan. 22.....	Henry Hazlitt.....	Donovan, Leisure, Newton & Irvine.
	William J. Donovan.....	President, International Association of Machinists.
	Harvey W. Brown.....	Chairman of legislation, National Women's Trade Union League of America.
	Margaret F. Stone (Mrs.).....	Member, National Planning Association; president, Institute of Public Administration.
	Luther Gulick.....	Editor, The Atlanta Constitution.
	Ralph McGill.....	Chairman, Committee for the Marshall plan.
	Robert P. Patterson.....	Commentator and author.
Jan. 23.....	Henry J. Taylor.....	Chairman, international relations committee, National Association of Manufacturers.
	Curtis Calder.....	President, American Federation of Labor.
	William Green.....	Professor, Duke University.
	Calvin B. Hoover.....	Chairman, Committee for Economic Development.
	Paul Hoffman.....	President, National Economic Council.
Jan. 24.....	Merwin K. Hart.....	Member of the national board, Americans for Democratic Action.
	Paul A. Porter.....	The American Jewish Committee.
	Herbert Lehman.....	President, General Federation of Women's Clubs.
	J. L. Blair Buck (Mrs.).....	President, Maryland State Division, American Association of University Women.
	Donald R. Burgess (Mrs.).....	Women's Action Committee for Lasting Peace.
Jan. 26.....	Mildred B. Northrop.....	H. J. Heinz Co.
	H. J. Heinz.....	Chairman of the board, Borg-Warner International Corp.
	R. W. Gifford.....	President, National Farmers' Union.
	James G. Patton.....	Executive secretary, American Labor Party.
Jan. 27.....	Arthur Schutzer.....	American Association for the United Nations.
	Clark W. Bichelberger.....	Acting editor, the Electrical World.
	George C. Tenney.....	Department of parks, New York City.
	Robert Moses.....	
	(Statement presented by Frederick A. Collins)	
	Norman Thomas.....	Chairman, Postwar World Council.
	Walter White.....	Secretary, National Association for the Advancement of Colored People.
	Carlton Koepge.....	Engineer.
	Bernard Weitzer.....	National legislative representative, Jewish War Veterans of the United States of America.
Jan. 28.....	Joseph Willen (Mrs.).....	National Council of Jewish Women.
Jan. 29.....	Robert M. La Follette, Jr.....	President's Committee on Foreign Aid.
	Arnold J. Wilson.....	President, Illinois Manufacturers' Association; president, General Time Instruments Corp.
	John Ben Shepperd.....	President, United States Junior Chamber of Commerce.

Witnesses appearing before the committee—Continued

Date of appearance	Name	Affiliation
Jan. 29	William Brooks	North American Grain Export Association, National Grain Trade Council.
	Robert F. Loree	Chairman, National Foreign Trade Council.
	Marvin J. Coles	Foreign Freight Forwarders Association.
	James H. Sheldon	Member of the advisory council, Society for the Prevention of World War III.
	Jean I. Pajus	Economic adviser, Society for the Prevention of World War III.
	Frazier Bailey	President, National Federation of American Shipping.
	Norman Littell	Attorney.
	Kathryn Lee Marshall (Mrs.)	National legislative secretary, Women's International League for Peace and Freedom.
	Willford King	Chairman, Committee for Constitutional Government.
Jan. 30	A. O. Tittman	
	Allan B. Kline	President, American Farm Bureau Federation.
	J. T. Sanders	Legislative counsel, the National Grange.
	J. D. Zellerbach	President, Crown Zellerbach Corp.
	Carlton Barrett	President, Tate-Jones & Co., Inc.
	James M. Reed	Secretary, foreign-service division, American Friends Committee on National Legislation.
Jan. 31	Joseph G. Dubuque	Professor, University of Maryland.
	Charles P. Taft	President, Federal Council of Churches of Christ in America.
	Robert M. La Follette, Jr.	Member of the President's Committee on Foreign Aid.
	Lewis H. Brown	President, Johns-Manville Co.
	William Batt, Sr.	Chairman, Philadelphia branch of the Stimson committee; director of the United Nations Council.
	J. R. Gormley	Port agent, Pacific Coast Marine, Firemen, Oilers, Water Tenders, and Wipers Association.
Feb. 2	Robert Rosamond	Attorney.
	Joseph Scott	
	Martin L. Sweeney	
	Russell B. Brown	General counsel, Independent Petroleum Association of America.
	L. H. Pasqualicchio	National deputy, Order Sons of Italy in America.
	John B. Trevor	American Coalition of Patriotic Societies.
	Ely Culbertson	Citizens Committee for United Nations Reform.
	Harry Lundeborg	President, Seafarers International Union of North America; secretary-treasurer, Sailors Union of the Pacific (AFL).
Feb. 3	James B. Carey	Secretary-treasurer, Congress of Industrial Organizations.
	Joseph Curran	President, National Maritime Union.
	Ronald Bridges	Council for Social Action of the Congregational Christian Churches of the United States.
	Paul M. Mulliken	Secretary, National Retail Farm Equipment Association.
Feb. 4	Agnes Waters (Mrs.)	
	Earl O. Shreve	President, United States Chamber of Commerce.
	David A. Bunn	Legislative representative, Committee for Effective Citizenship, National Inter-Collegiate Christian Council.
	True D. Morse	President, Doane Agricultural Service, Inc.
	George P. Murdock	Professor, Yale University.
	Carl A. Schmidt	
Feb. 5	Walter P. Reuther	International president, United Automobile, Aircraft and Agricultural Implement Workers (CIO).
	Hamilton Fish	
	Benjamin A. Javits	Attorney.

Calendar No. 978

80TH CONGRESS
2D SESSION

S. 2202

[Report No. 935]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 23 (legislative day, FEBRUARY 2), 1948

Mr. VANDENBERG (for himself and Mr. CONNALLY) introduced the following bill; which was read twice and referred to the Committee on Foreign Relations

FEBRUARY 26 (legislative day, FEBRUARY 2), 1948

Reported by Mr. VANDENBERG, without amendment

A BILL

To promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as "The Economic Cooperation
4 Act of 1948".

5 FINDINGS AND DECLARATION OF POLICY

6 SEC. 2. (a) Recognizing the intimate economic and other
7 relationships between the United States and the nations of

1 Europe, and recognizing that disruption following in the wake
2 of war is not contained by national frontiers, the Congress
3 finds that the existing situation in Europe endangers the
4 establishment of a lasting peace, the general welfare and
5 national interest of the United States, and the attainment of
6 the objectives of the United Nations. The restoration or
7 maintenance in European countries of principles of individual
8 liberty, free institutions, and genuine independence rests
9 largely upon the establishment of sound economic conditions,
10 stable international economic relationships, and the achieve-
11 ment by the countries of Europe of a healthy economy inde-
12 pendent of extraordinary outside assistance. The accom-
13 plishment of these objectives calls for a plan of European
14 recovery, open to all such nations which cooperate in such
15 plan, based upon a strong production effort, the expansion
16 of foreign trade, the creation and maintenance of internal
17 financial stability, and the development of economic coopera-
18 tion, including all possible steps to establish and maintain
19 equitable rates of exchange and to bring about the progressive
20 elimination of trade barriers. Mindful of the advantages
21 which the United States has enjoyed through the existence
22 of a large domestic market with no internal trade barriers,
23 and believing that similar advantages can accrue to the
24 countries of Europe, it is the hope of the people of the United
25 States that these countries through a joint organization will

1 exert sustained common efforts which will speedily achieve
2 that economic cooperation in Europe which is essential for
3 lasting peace and prosperity. Accordingly, it is declared to
4 be the policy of the people of the United States to sustain and
5 strengthen principles of individual liberty, free institutions,
6 and genuine independence in Europe through assistance to
7 those countries of Europe which participate in a joint recovery
8 program based upon self-help and mutual cooperation: *Pro-*
9 *vided*, That no assistance to the participating countries herein
10 contemplated shall seriously impair the economic stability
11 of the United States. It is further declared to be the policy
12 of the United States that continuity of assistance provided
13 by the United States should, at all times, be dependent upon
14 continuity of cooperation among countries participating in
15 the program.

16 PURPOSES OF ACT

17 (b) It is the purpose of this Act to effectuate the policy
18 set forth in subsection (a) of this section by furnishing
19 material and financial assistance to the participating coun-
20 tries in such a manner as to aid them, through their own
21 individual and concerted efforts, to become independent of
22 extraordinary outside economic assistance within the period
23 of operations under this Act, by—

24 (1) promoting industrial and agricultural produc-
25 tion in the participating countries;

1 (2) furthering the restoration or maintenance of
2 the soundness of European currencies, budgets, and
3 finances; and

4 (3) facilitating and stimulating the growth of inter-
5 national trade of participating countries with one an-
6 other and with other countries by appropriate measures
7 including reduction of barriers which may hamper such
8 trade.

9 PARTICIPATING COUNTRIES

10 SEC. 3. As used in this Act, the term “participating
11 country” means—

12 (a) any country, together with dependent areas
13 under its administration, which signed the report of the
14 Committee of European Economic Cooperation at Paris
15 on September 22, 1947; and

16 (b) any other country (including any of the zones
17 of occupation of Germany, any areas under interna-
18 tional administration or control, and the Free Territory
19 of Trieste or either of its zones) wholly or partly in
20 Europe, together with dependent areas under its admin-
21 istration;

22 provided such country adheres to, and for so long as it
23 remains an adherent to, a joint program for European
24 recovery designed to accomplish the purposes of this Act.

ESTABLISHMENT OF ECONOMIC COOPERATION

ADMINISTRATION

SEC. 4. (a) There is hereby established, with its principal office in the District of Columbia, an agency of the Government which shall be known as the Economic Cooperation Administration, hereinafter referred to as the Administration. The Administration shall be headed by an Administrator for Economic Cooperation, hereinafter referred to as the Administrator, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate of \$20,000 per annum. The Administrator shall be responsible to the President and shall have a status in the executive branch of the Government comparable to that of the head of an executive department. Except as otherwise provided in this Act, the administration of the provisions of this Act is hereby vested in the Administrator and his functions shall be performed under the control of the President.

(b) There shall be in the Administration a Deputy Administrator for Economic Cooperation who shall be appointed by the President, by and with the advice and consent of the Senate, and shall receive compensation at the rate of \$17,500 per annum. The Deputy Administrator for Economic Cooperation shall perform such functions as the

1 Administrator shall designate, and shall be Acting Adminis-
2 trator for Economic Cooperation during the absence or dis-
3 ability of the Administrator or in the event of a vacancy
4 in the office of Administrator.

5 (c) The President is authorized, pending the appoint-
6 ment and qualification of the first Administrator or Deputy
7 Administrator for Economic Cooperation appointed here-
8 under, to provide, for a period of not to exceed thirty days
9 after the date of enactment of this Act, for the performance
10 of the functions of the Administrator under this Act through
11 such departments, agencies, or establishments of the United
12 States Government as he may direct. In the event the
13 President nominates an Administrator or Deputy Adminis-
14 trator prior to the expiration of such thirty-day period, the
15 authority conferred upon the President by this subsection
16 shall be extended beyond such thirty-day period but only
17 until an Administrator or Deputy Administrator qualifies and
18 takes office.

19 (d) Any department, agency, or establishment of the
20 Government (including, whenever used in this Act, any
21 corporation which is an instrumentality of the United States)
22 performing functions under this Act is authorized to employ,
23 for duty within the continental limits of the United States,
24 such personnel as may be necessary to carry out the pro-
25 visions and purposes of this Act, and funds available pursuant

1 to section 14 of this Act shall be available for personal
2 services in the District of Columbia and elsewhere without
3 regard to section 14 (a) of the Federal Employees Pay Act
4 of 1946 (60 Stat. 219). Of such personnel employed by
5 the Administration, not to exceed sixty may be compensated
6 without regard to the provisions of the Classification Act
7 of 1923, as amended, of whom not more than ten may be
8 compensated at a rate in excess of \$10,000 per annum,
9 but not in excess of \$15,000 per annum. Experts and
10 consultants or organizations thereof, as authorized by section
11 15 of the Act of August 2, 1946 (U. S. C., title 5, sec. 55a),
12 may be employed by the Administration, and individuals so
13 employed may be compensated at rates not in excess of
14 \$50 per diem and while away from their homes or regular
15 places of business, they may be paid actual travel expenses
16 and not to exceed \$10 per diem in lieu of subsistence and
17 other expenses while so employed.

18 (e) The head of any department, agency, or establish-
19 ment of the Government performing functions under this
20 Act may, from time to time, promulgate such rules and regu-
21 lations as may be necessary and proper to carry out his func-
22 tions under this Act, and he may delegate authority to
23 perform any of such functions to his subordinates, acting
24 under his direction and under rules and regulations pro-
25 mulgated by him.

1 GENERAL FUNCTIONS OF ADMINISTRATOR

2 SEC. 5. (a) The Administrator, under the control of
3 the President, shall in addition to all other functions vested
4 in him by this Act—

5 (1) review and appraise the requirements of par-
6 ticipating countries for assistance under the terms of
7 this Act;

8 (2) formulate programs of United States assistance
9 under this Act, including approval of specific projects
10 which have been submitted to him by the participating
11 countries;

12 (3) provide for the efficient execution of any such
13 programs as may be placed in operation; and

14 (4) terminate provision of assistance or take other
15 remedial action as provided in section 17 of this Act.

16 (b) In order to strengthen and make more effective the
17 conduct of the foreign relations of the United States—

18 (1) the Administrator and the Secretary of State
19 shall keep each other fully and currently informed on
20 matters, including prospective action, arising within the
21 scope of their respective duties which are pertinent to
22 the duties of the other;

23 (2) whenever the Secretary of State believes that
24 any action, proposed action, or failure to act on the part

1 of the Administrator is inconsistent with the foreign-
2 policy objectives of the United States, he shall consult
3 with the Administrator and, if differences of view are
4 not adjusted by consultation, the matter shall be referred
5 to the President for final decision.

6 NATIONAL ADVISORY COUNCIL

7 SEC. 6. Section 4 (a) of the Bretton Woods Agreement
8 Act (59 Stat. 512, 513) is hereby amended to read as
9 follows:

10 "SEC. 4. (a) In order to coordinate the policies and
11 operations of the representatives of the United States on the
12 Fund and the Bank and of all agencies of the Government
13 which make or participate in making foreign loans or which
14 engage in foreign financial exchange or monetary transac-
15 tions, there is hereby established the National Advisory Coun-
16 cil on International Monetary and Financial Problems
17 (hereinafter referred to as the 'Council'), consisting of the
18 Secretary of Treasury as Chairman, the Secretary of State,
19 the Secretary of Commerce, the Chairman of the Board of
20 Governors of the Federal Reserve System, the Chairman of
21 the Board of Trustees of the Export-Import Bank of Wash-
22 ington, and during such period as the Economic Cooperation
23 Administration shall continue to exist, the Administrator for
24 Economic Cooperation."

PUBLIC ADVISORY BOARD

2 SEC. 7. (a) There is hereby created a Public Advisory
3 Board, hereinafter referred to as the Board, which shall
4 advise and consult with the Administrator with respect to
5 general or basic policy matters arising in connection with
6 the Administrator's discharge of his responsibilities. The
7 Board shall consist of the Administrator, who shall be Chair-
8 man, and not to exceed twelve additional members to be
9 appointed by the President, by and with the advice and con-
10 sent of the Senate, and who shall be selected from among
11 citizens of the United States of broad and varied experience
12 in matters affecting the public interest, other than officers and
13 employees of the United States (including any agency or
14 instrumentality of the United States) who, as such, regularly
15 receive compensation for current services. The Board shall
16 meet at least once a month and at other times upon the call
17 of the Administrator or when three or more members of the
18 Board request the Administrator to call a meeting. Not
19 more than a majority of two of the members shall be ap-
20 pointed to the Board from the same political party. Mem-
21 bers of the Board, other than the Administrator, shall
22 receive, out of funds made available for the purposes of
23 this Act, a per diem allowance of \$50 for each day spent
24 away from their homes or regular places of business, for
25 the purpose of attendance at meetings of the Board, or

1 at conferences held upon the call of the Administrator,
2 and in necessary travel, and while so engaged, they may
3 be paid actual travel expenses and not to exceed \$10 per
4 diem in lieu of subsistence and other expenses.

5 (b) The Administrator may appoint such other advisory
6 committees as he may determine to be necessary or desirable
7 to effectuate the purposes of this Act.

8 UNITED STATES SPECIAL REPRESENTATIVE ABROAD

9 SEC. 8. There shall be a United States Special Repre-
10 sentative in Europe who shall (a) be appointed by the Presi-
11 dent, by and with the advice and consent of the Senate, (b)
12 be entitled to receive the same compensation and allowances
13 as a chief of mission, class 1, within the meaning of the Act
14 of August 13, 1946 (60 Stat. 999), and (c) have the rank
15 of ambassador extraordinary and plenipotentiary. He shall
16 be the chief United States representative to any organi-
17 zation of participating countries which may be established
18 by such countries to further a joint program for European
19 recovery, and shall discharge in Europe such additional re-
20 sponsibilities as may be assigned to him with the approval
21 of the President in furtherance of the purposes of this Act.
22 He may also be designated as the United States representa-
23 tive on the Economic Commission for Europe. He shall
24 keep the Administrator, the Secretary of State, the chiefs
25 of the United States diplomatic missions, and the chiefs of

1 the special missions provided for in section 9 of this Act
2 currently informed concerning his activities. He shall con-
3 sult with the chiefs of all such missions, who shall give him
4 such cooperation as he may require for the performance of
5 his duties under this Act.

6 SPECIAL ECA MISSIONS ABROAD

7 SEC. 9. (a) There shall be established in each partici-
8 pating country, except as provided in subsection (d) of this
9 section, a special mission for economic cooperation under
10 the direction of a chief who shall be responsible for assuring
11 the performance within such country of operations under
12 this Act. The chief shall be appointed by the Adminis-
13 trator, shall receive his instructions from the Administrator,
14 and shall report to the Administrator on the performance
15 of the duties assigned to him. The chief of the special mis-
16 sion shall take rank immediately after the chief of the United
17 States diplomatic mission in such country.

18 (b) The chief of the special mission shall keep the chief
19 of the United States diplomatic mission fully and currently
20 informed on matters, including prospective action, arising
21 within the scope of the operations of the special mission and
22 the chief of the diplomatic mission shall keep the chief of the
23 special mission fully and currently informed on matters
24 relative to the conduct of the duties of the chief of the special
25 mission. The chief of the United States diplomatic mission

1 will be responsible for assuring that the operations of the
2 special mission are consistent with the foreign-policy objec-
3 tives of the United States in such country and to that end
4 whenever the chief of the United States diplomatic mission
5 believes that any action, proposed action, or failure to act
6 on the part of the special mission is inconsistent with such
7 foreign-policy objectives, he shall so advise the chief of the
8 special mission. If differences of view are not adjusted by
9 consultation, the matter shall be referred to the Secretary of
10 State and the Administrator for decision.

11 (c) The Secretary of State shall provide such office
12 space, facilities, and other administrative services for the
13 United States Special Representative in Europe and his staff,
14 and for the special mission in each participating country, as
15 may be agreed between the Secretary of State and the
16 Administrator.

17 (d) With respect to any of the zones of occupation of
18 Germany and of the Free Territory of Trieste, during the
19 period of occupation, the President shall make appropriate
20 administrative arrangements for the conduct of operations
21 under this Act, in order to enable the Administrator to carry
22 out his responsibility to assure the accomplishment of the
23 purposes of this Act.

24 PERSONNEL OUTSIDE UNITED STATES

25 SEC. 10. (a) For the purpose of performing functions

1 under this Act outside the continental limits of the United
2 States the Administrator may—

3 (1) employ persons who shall receive compensa-
4 tion at any of the rates provided for the Foreign Service
5 Reserve and Staff by the Foreign Service Act of 1946
6 (60 Stat. 999), together with allowances and benefits
7 established thereunder; and

8 (2) recommend the appointment or assignment of
9 persons, and the Secretary of State may appoint or
10 assign such persons, to any class in the Foreign Service
11 Reserve or Staff for the duration of operations under
12 this Act, and the Secretary of State may thereafter
13 assign, transfer, or promote such persons upon the
14 recommendation of the Administrator. Persons so
15 appointed to the Foreign Service Staff shall be entitled
16 to the benefits of section 528 of the Foreign Service
17 Act of 1946.

18 (b) For the purpose of performing functions under this
19 Act outside the continental limits of the United States, the
20 Secretary of State may, at the request of the Administrator,
21 appoint, for the duration of operations under this Act, alien
22 clerks and employees in accordance with applicable provi-
23 sions of the Foreign Service Act of 1946 (60 Stat. 999).

24 (c) Civilian personnel who are citizens or residents
25 of the United States employed or appointed pursuant to this

1 section to perform functions under this Act shall be investi-
2 gated by the Federal Bureau of Investigation which shall
3 make a report thereof to the appointing authority as soon as
4 possible: *Provided, however,* That they may temporarily
5 assume their posts and perform their functions after pre-
6 liminary investigation and clearance by the Administrator or
7 the Secretary of State, as the case may be, but such employ-
8 ment may be terminated after the receipt of the report of
9 the Federal Bureau of Investigation.

10 NATURE AND METHOD OF ASSISTANCE

11 SEC. 11. (a) The Administrator may, from time to
12 time, furnish assistance to any participating country by pro-
13 viding for the performance of any of the functions set forth
14 in paragraphs (1) through (5) of this subsection when he
15 deems it to be in furtherance of the purposes of this Act,
16 and upon the terms and conditions set forth in this Act and
17 such additional terms and conditions consistent with the pro-
18 visions of this Act as he may determine to be necessary and
19 proper.

20 (1) Procurement from any source, including Gov-
21 ernment stocks, of any commodity which he determines
22 to be required for the furtherance of the purposes of this
23 Act. As used in this Act, the term "commodity" means
24 any commodity, material, article, merchant vessel au-
25 thorized to be chartered under paragraph (4) of this

1 subsection, supply, or goods necessary for the purposes
2 of this Act.

3 (2) Processing, storing, transporting, and repair-
4 ing any commodities, or performing any other services
5 with respect to a participating country which he deter-
6 mines to be required for accomplishing the purposes of
7 this Act.

8 (3) Procurement of and furnishing technical infor-
9 mation and assistance.

10 (4) With the approval of the President, placing in
11 operating condition, and, for periods not extending be-
12 yond December 31, 1952, chartering to participating
13 countries, not more than three hundred dry-cargo mer-
14 chant vessels owned by the United States and not in
15 operation at the time of charter. If a vessel of the
16 United States is so chartered, its documents as a vessel
17 of the United States shall be surrendered and it shall,
18 during the charter period, be considered as a foreign
19 vessel for the purposes of the navigation and vessel-
20 inspection laws of the United States.

21 (5) Transfer of any commodity or service, which
22 transfer shall be signified by delivery of the custody
23 and right of possession and use of such commodity, or
24 otherwise making available any such commodity, or by
25 rendering a service to a participating country or to any

1 agency or organization representing a participating
2 country.

3 (b) The Administrator may provide for the perform-
4 ance of any of the functions described in subsection (a) of
5 this section—

6 (1) by establishing accounts against which, under
7 regulations prescribed by the Administrator—

8 (i) letters of commitment may be issued in
9 connection with supply programs approved by the
10 Administrator (and such letters of commitment,
11 when issued, shall constitute obligations of appli-
12 cable appropriations) ; and

13 (ii) withdrawals may be made by partici-
14 pating countries, or agencies or organizations rep-
15 resenting participating countries, upon presentation
16 of contracts, invoices, or other documentation speci-
17 fied by the Administrator.

18 Such accounts may be established on the books of the
19 Administration, or any other department, agency, or
20 establishment of the Government specified by the Admin-
21 istrator, or, on terms and conditions approved by the
22 Secretary of the Treasury, in banking institutions in
23 the United States. Expenditures of funds which have
24 been made available through accounts so established shall

1 be accounted for on standard documentation required
2 for expenditures of Government funds: *Provided*, That
3 such expenditures for commodities or services procured
4 outside the continental limits of the United States under
5 authority of this section may be accounted for exclu-
6 sively on such certification as the Administrator may
7 prescribe to assure expenditure in furtherance of the
8 purposes of this Act, and such certification shall be
9 binding on the accounting officers of the Government.

10 (2) by utilizing the services and facilities of any
11 department, agency, or establishment of the Government
12 as the President shall direct, or with the consent of the
13 head of such department, agency, or establishment, or, in
14 the President's discretion, by acting in cooperation with
15 the United Nations or with other international organ-
16 izations or with agencies of the participating countries,
17 and funds allocated pursuant to this section to any depart-
18 ment, agency, or establishment of the Government shall
19 be established in separate appropriation accounts on the
20 books of the Treasury.

21 (3) by making, under rules and regulations to be
22 prescribed by the Administrator, guaranties to any
23 person of investments in connection with projects ap-
24 proved by the Administrator and the participating coun-
25 try concerned as furthering the purposes of this Act,

1 which guaranties shall terminate not later than fourteen
2 years from the date of enactment of this Act: *Provided*,
3 That—

4 (i) the guaranty to any person shall not ex-
5 ceed the amount of dollars invested in the project
6 by such person with the approval of the Adminis-
7 trator and shall be limited to the transfer into
8 United States dollars of other currencies, or credits
9 in such currencies, received by such person as in-
10 come from the approved investment, as repayment
11 or return thereof, in whole or in part, or as com-
12 pensation for the sale or disposition of all or any
13 part thereof;

14 (ii) the total liabilities assumed under such
15 guaranties shall not exceed 5 per centum of the
16 total funds appropriated for the purposes of this Act
17 and any liabilities accruing under such guaranties
18 shall be defrayed within the limits of funds so appro-
19 priated; and

20 (iii) as used in this paragraph, the term “per-
21 son” means a citizen of the United States or any
22 corporation, partnership, or other association created
23 under the law of the United States or of any State
24 or Territory and substantially beneficially owned by
25 citizens of the United States.

1 (c) (1) The Administrator may provide assistance for
2 any participating country, in the form and under the pro-
3 cedures authorized in subsections (a) and (b), respectively,
4 of this section, through grants or upon payment in cash, or
5 on credit terms, or on such other terms of payment as he
6 may find appropriate, including payment by the transfer to
7 the United States (under such terms and in such quantities
8 as may be agreed to between the Administrator and the
9 participating country) of materials which are required by
10 the United States as a result of deficiencies or potential
11 deficiencies in its own resources. In determining whether
12 such assistance shall be through grants or upon terms of
13 payment, and in determining the terms of payment, he
14 shall act in consultation with the National Advisory Council
15 on International Monetary and Financial Problems, and the
16 determination whether or not a participating country should
17 be required to make payment for any assistance furnished
18 to such country in furtherance of the purposes of this Act,
19 and the terms of such payment, if required, shall depend
20 upon the character and purpose of the assistance and upon
21 the capacity of such country to make such payments without
22 jeopardizing the accomplishment of the purposes of this Act.

23 (2) When it is determined that assistance should be
24 extended under the provisions of this Act on credit terms,
25 the Administrator shall allocate funds for the purpose to

1 the Export-Import Bank of Washington, which shall, not-
2 withstanding the provisions of the Export-Import Bank Act
3 of 1945 (59 Stat. 526), as amended, make and administer
4 the credit as directed, and on terms specified, by the Admin-
5 istrator in consultation with the National Advisory Council
6 on International Monetary and Financial Problems. The
7 Administrator shall make advances to, or reimburse, the
8 Export-Import Bank of Washington for necessary admin-
9 istrative expenses in connection with such credits. The
10 Bank shall deposit into the Treasury of the United States,
11 as miscellaneous receipts, amounts received by the Bank in
12 repayment of principal and interest on any such credits.
13 Credits made by the Export-Import Bank of Washington
14 with funds so allocated to it by the Administrator shall not
15 be considered in determining whether the Bank has outstand-
16 ing at any one time loans and guaranties to the extent of
17 the limitation imposed by section 7 of the Export-Import
18 Bank Act of 1945 (59 Stat. 529), as amended.

19 PROTECTION OF DOMESTIC ECONOMY

20 SEC. 12. (a) The Administrator shall provide for the
21 procurement in the United States of commodities under this
22 Act in such a way as to (1) minimize the drain upon the
23 resources of the United States and the impact of such
24 procurement upon the domestic economy, and (2) avoid

1 impairing the fulfillment of vital needs of the people of
2 the United States.

3 (b) The procurement of petroleum and petroleum
4 products under this Act shall, to the maximum extent prac-
5 ticable, be made from petroleum sources outside the United
6 States; and, in furnishing commodities under the provisions
7 of this Act, the Administrator shall take fully into account
8 the present and anticipated world shortage of petroleum and
9 its products and the consequent undesirability of expansion
10 in petroleum-consuming equipment where the use of alter-
11 nate fuels or other sources of power is practicable.

12 (c) In procuring from sources within the United States
13 any agricultural commodity not in short supply in the United
14 States for transfer by grant to any participating country in
15 accordance with the requirements of such country, the Ad-
16 ministrator shall, insofar as practicable and where in further-
17 ance of the purposes of this Act, provide for the procurement
18 of an amount of each class or type of any such commodity
19 in approximate proportion to the total exportable supply of
20 such class or type of such commodity.

21 REIMBURSEMENT TO GOVERNMENT AGENCIES

22 SEC. 13. (a) The Administrator shall make reimburse-
23 ment or payment, out of funds available for the purposes of
24 this Act, for any commodity, service, or facility procured
25 under section 11 of this Act from any department, agency,

1 or establishment of the Government. Such reimbursement
2 or payment shall be made to the owning or disposal agency,
3 as the case may be, at replacement cost, or, if required by
4 law, at actual cost, or at any other price authorized by law
5 and agreed to between the Administrator and such agency.
6 The amount of any reimbursement or payment to an owning
7 agency for commodities, services, or facilities so procured
8 shall be credited to current applicable appropriations, funds,
9 or accounts from which there may be procured replacements
10 of similar commodities or such services or facilities: *Pro-*
11 *vided*, That such commodities, services, or facilities may be
12 procured from an owning agency only with the consent of
13 such agency: *And provided further*, That where such appro-
14 priations, funds, or accounts are not reimbursable except by
15 reason of this subsection, and when the owning agency deter-
16 mines that replacement of any commodity procured under
17 authority of this section is not necessary, any funds received
18 in payment therefor shall be covered into the Treasury as
19 miscellaneous receipts.

20 (b) The Administrator, whenever in his judgment the
21 interests of the United States will best be served thereby,
22 may dispose of any commodity procured out of funds made
23 available for the purposes of this Act, in lieu of transferring
24 such commodity to a participating country, (1) by transfer
25 of such commodity, upon reimbursement, to any department,

1 agency, or establishment of the Government for use or dis-
2 posal by such department, agency, or establishment as
3 authorized by law, or (2) without regard to provisions of
4 law relating to the disposal of Government-owned property,
5 when necessary to prevent spoilage or wastage of such com-
6 modity or to conserve the usefulness thereof. Funds realized
7 from such disposal or transfer shall revert to the respective
8 appropriation or appropriations out of which funds were
9 expended for the procurement of such commodity.

10 AUTHORIZATION OF APPROPRIATIONS

11 SEC. 14. (a) Notwithstanding the provisions of any
12 other law, the Reconstruction Finance Corporation is au-
13 thorized and directed, until such time as an appropriation
14 shall be made pursuant to subsection (c) of this section,
15 to make advances not to exceed in the aggregate \$1,000,-
16 000,000 to carry out the provisions of this Act, in
17 such manner, at such time and in such amounts as the Presi-
18 dent shall determine, and no interest shall be charged on ad-
19 vances made by the Treasury to the Reconstruction Finance
20 Corporation for this purpose. The Reconstruction Finance
21 Corporation shall be repaid without interest from appro-
22 priations authorized under this Act for advances made by
23 it hereunder.

24 (b) Such part as the President may determine of the
25 unobligated and unexpended balances of appropriations or

1 other funds available for the purposes of the Foreign Aid
2 Act of 1947 shall be available for the purpose of carrying
3 out the purposes of this Act.

4 (c) In order to carry out the provisions of this Act
5 with respect to those participating countries which adhere
6 to the purposes of this Act, and remain eligible to receive
7 assistance hereunder, there are hereby authorized to be appro-
8 priated to the President, from time to time through June 30,
9 1952, out of any money in the Treasury not otherwise ap-
10 propriated, such sums as may be necessary to carry out the
11 provisions and accomplish the purposes of this Act: *Provided,*
12 *however,* That for carrying out the provisions and accom-
13 plishing the purposes of this Act for the period of one year
14 following the date of enactment of this Act, there are hereby
15 authorized to be so appropriated not to exceed \$5,300,000,-
16 000.

17 (d) Funds made available for the purposes of this Act
18 shall be available for incurring and defraying all necessary
19 expenses incident to carrying out the provisions of this
20 Act, including administrative expenses and expenses for
21 compensation, allowances and travel of personnel, including
22 Foreign Service personnel whose services are utilized
23 primarily for the purposes of this Act, and, without regard
24 to the provisions of any other law, for printing and binding,
25 and for expenditures outside the continental limits of the

1 United States for the procurement of supplies and services
2 and for other administrative purposes (other than compensa-
3 tion of personnel) without regard to such laws and regula-
4 tions governing the obligation and expenditure of govern-
5 ment funds, as the Administrator shall specify in the interest
6 of the accomplishment of the purposes of this Act.

7 (c) The unexpended portions of any deposits which
8 may have been made by any participating country pursuant
9 to section 6 of the joint resolution providing for relief as-
10 sistance to the people of countries devastated by war (Public
11 Law 84, Eightieth Congress) and section 5 (b) of the
12 Foreign Aid Act of 1947 (Public Law 389, Eightieth Con-
13 gress) may be merged with the deposits to be made by such
14 participating country in accordance with section 15 (b)
15 (6) of this Act, and shall be held or used under the same
16 terms and conditions as are provided in section 15 (b)
17 (6) of this Act.

18 (f) In order to reserve some part of the surplus of
19 the fiscal year 1948 for payments thereafter to be made
20 under this Act, there is hereby created on the books of
21 the Treasury of the United States a trust fund to be known
22 as the Foreign Economic Cooperation Trust Fund. Not-
23 withstanding any other provision of law, an amount of
24 \$3,000,000,000, out of sums appropriated pursuant to the
25 authorization contained in this Act shall, when appropriated,

1 be transferred immediately to the trust fund, and shall there-
2 upon be considered as expended during the fiscal year 1948,
3 for the purpose of reporting governmental expenditures.
4 The Secretary of the Treasury shall be the sole trustee of the
5 trust fund and is authorized and directed to pay out of the
6 fund such amounts as the Administrator shall duly requisition.
7 The first expenditures made out of the appropriations
8 authorized under this Act in the fiscal year 1949 shall be
9 made with funds requisitioned by the Administrator out of
10 the trust fund until the fund is exhausted, at which time such
11 fund shall cease to exist. The provisions of this subsection
12 shall not be construed as affecting the application of any
13 provision of law which would otherwise govern the obligation
14 of funds so appropriated or the auditing or submission
15 of accounts of transactions with respect to such funds.

16 BILATERAL AND MULTILATERAL UNDERTAKINGS

17 SEC. 15. (a) The Secretary of State, after consultation
18 with the Administrator, is authorized to conclude, with
19 individual participating countries or any number of such countries
20 or with an organization representing any such countries,
21 agreements in furtherance of the purposes of this Act.

22 (b) The provision of assistance under this Act results
23 from the multilateral pledges of the participating countries
24 to use all their efforts to accomplish a joint recovery program
25 based upon self-help and mutual cooperation as embodied

1 in the report of the Committee of European Economic Co-
2 operation signed at Paris on September 22, 1947, and is
3 contingent upon continuous effort of the participating
4 countries to accomplish a joint recovery program through
5 multilateral undertakings and the establishment of a
6 continuing organization for this purpose. In addition to
7 continued mutual cooperation of the participating countries
8 in such a program, each such country shall conclude an
9 agreement with the United States in order for such country
10 to be eligible to receive assistance under this Act. Such
11 agreement shall provide for the adherence of such country
12 to the purposes of this Act and shall, where applicable, make
13 appropriate provision, among others, for—

14 (1) promoting industrial and agricultural produc-
15 tion in order to enable the participating country to be-
16 come independent of extraordinary outside economic
17 assistance; and submitting for the approval of the Ad-
18 ministrator, upon his request and whenever he deems
19 it in furtherance of the purposes of this Act, specific
20 projects proposed by such country to be undertaken in
21 substantial part with assistance furnished under this Act,
22 which projects, whenever practicable, shall include proj-
23 ects for increased production of coal, steel, transportation
24 facilities, and food;

25 (2) taking financial and monetary measures neces-

1 sary to stabilize its currency, establish or maintain a
2 valid rate of exchange, to balance its governmental
3 budget as soon as practicable, and generally to restore or
4 maintain confidence in its monetary system;

5 (3) cooperating with other participating countries
6 in facilitating and stimulating an increasing interchange
7 of goods and services among the participating countries
8 and with other countries and cooperating to reduce
9 barriers to trade among themselves and with other
10 countries;

11 (4) making efficient and practical use, within the
12 framework of a joint program for European recovery,
13 of the resources of such participating country, including
14 any commodities, facilities, or services furnished under
15 this Act, which use shall include, to the extent practicable,
16 taking measures to locate and control, in furtherance
17 of such program, assets, and earnings therefrom, which
18 belong to the citizens of such country and which are
19 situated within the United States, its Territories and
20 possessions;

21 (5) facilitating the transfer to the United States by
22 sale, exchange, barter, or otherwise for stock-piling purposes,
23 for such period of time as may be agreed to and
24 upon reasonable terms and in reasonable quantities, of
25 materials which are required by the United States as a

1 result of deficiencies or potential deficiencies in its own
2 resources, and which may be available in such participat-
3 ing country after due regard for reasonable requirements
4 for domestic use and commercial export of such country ;

5 (6) placing in a special account a deposit in the
6 currency of such country, in commensurate amounts and
7 under such terms and conditions as may be agreed to
8 between such country and the Government of the United
9 States, when any commodity or service is made avail-
10 able through any means authorized under this Act, and
11 is not furnished to the participating country on terms
12 of payment. Such special account, together with the
13 unexpended portions of any deposits which may have
14 been made by such country pursuant to section 6 of the
15 joint resolution providing for relief assistance to the
16 people of countries devastated by war (Public Law 84,
17 Eightieth Congress) and section 5 (b) of the Foreign
18 Aid Act of 1947 (Public Law 389, Eightieth Congress),
19 shall be held or used only for such purposes as may be
20 agreed to between such country and the Administrator
21 in consultation with the National Advisory Council on
22 International Monetary and Financial Problems, and
23 under agreement that any unencumbered balance remain-
24 ing in such account on June 30, 1952, will be disposed
25 of within such country for such purposes as may, subject

1 to approval by Act or joint resolution of the Congress, be
2 agreed to between such country and the Government of
3 the United States;

4 (7) publishing in such country and transmitting to
5 the United States, not less frequently than every cal-
6 endar quarter after the date of the agreement, full
7 statements of operations under the agreement, including
8 a report of the use of funds, commodities and services
9 received under this Act; and

10 (8) furnishing promptly, upon request of the
11 United States, any relevant information which would be
12 of assistance to the United States in determining the
13 nature and scope of operations and the use of assist-
14 ance provided under this Act.

15 (c) Notwithstanding the provisions of subsection
16 (b) of this section, the Administrator, during the three
17 months after the date of enactment of this Act, may
18 perform with respect to any participating country any of the
19 functions authorized under this Act which he may determine
20 to be essential in furtherance of the purposes of this Act,
21 if such country (1) has signified its adherence to
22 the purposes of this Act and its intention to conclude an
23 agreement pursuant to subsection (b) of this section, and
24 (2) he finds that such country is complying with the
25 applicable provisions of subsection (b) of this section:

1 *Provided*, That, notwithstanding the provisions of this sub-
2 section, the Administrator may, through June 30, 1948,
3 provide for the transfer of food, medical supplies, fibers,
4 fuel, petroleum and petroleum products, fertilizer, pesticides,
5 and seed to any country of Europe which participated in
6 the Committee of European Economic Cooperation and
7 which undertook pledges to the other participants therein,
8 when the Administrator determines that the transfer of any
9 such supplies to any such country is essential in order to
10 make it possible to carry out the purposes of this Act by
11 alleviating conditions of hunger and cold and by preventing
12 serious economic retrogression.

13 (d) The Administrator shall encourage the joint or-
14 ganization of the participating countries referred to in
15 subsection (b) of this section to ensure that each par-
16 ticipating country makes efficient use of the resources of
17 such country, including any commodities, facilities, or serv-
18 ices furnished under this Act, by observing and reviewing
19 such use through an effective follow-up system approved
20 by the joint organization.

21 MATERIALS REQUIRED BY THE UNITED STATES

22 SEC. 16. The Administrator, in furtherance of the pur-
23 poses of section 15 (b) (5), and in agreement with a par-
24 ticipating country, may promote, by means of funds made
25 available for the purposes of this Act, an increase in the

1 production in such participating country of materials which
2 are required by the United States as a result of deficiencies
3 or potential deficiencies in the resources within the United
4 States.

5 TERMINATION OF ASSISTANCE

6 SEC. 17. The Administrator, in determining the form
7 and measure of assistance provided under this Act to any
8 participating country, shall take into account the extent to
9 which such country is complying with its undertakings em-
10 bodied in its pledges to other participating countries and
11 in its agreement concluded with the United States under
12 section 15. The Administrator shall terminate the provision
13 of assistance under this Act to any participating country
14 whenever he determines that (1) such country is not adher-
15 ing to its agreement concluded under section 15, or is divert-
16 ing from the purposes of this Act assistance provided
17 hereunder, and that in the circumstances remedial action
18 other than termination will not more effectively promote
19 the purposes of this Act or (2) because of changed con-
20 ditions, assistance is no longer consistent with the national
21 interest of the United States.

22 EXEMPTION FROM CONTRACT AND ACCOUNTING LAWS

23 SEC. 18. When the President determines it to be in
24 furtherance of the purposes of this Act, the functions author-
25 ized under this Act may be performed without regard to

1 such provisions of law regulating the making, performance,
2 amendment, or modification of contracts and the expendi-
3 ture of Government funds as the President may specify.

4 EXEMPTION FROM CERTAIN FEDERAL LAWS RELATING TO
5 EMPLOYMENT

6 SEC. 19. Service of an individual as a member of the
7 Public Advisory Board (other than the Administrator)
8 created by section 7 (a), as a member of an advisory
9 committee appointed pursuant to section 7 (b), as an expert
10 or consultant under section 4 (d), or as an expert, con-
11 sultant, or technician under section 23 (d), shall not be
12 considered as service or employment bringing such indi-
13 vidual within the provisions of sections 109 or 113 of the
14 Criminal Code (U. S. C., title 18, secs. 198 and 203), of
15 section 190 of the Revised Statutes (U. S. C., title 5, sec.
16 99), or of section 19 (e) of the Contract Settlement Act
17 of 1944, or of any other Federal law imposing restrictions,
18 requirements, or penalties in relation to the employment of
19 persons, the performance of services, or the payment or
20 receipt of compensation in connection with any claim, pro-
21 ceeding, or matter involving the United States.

22 UNITED NATIONS

23 SEC. 20. (a) The President is authorized to request
24 the cooperation of or the use of the services and facilities
25 of the United Nations, its organs and specialized agen-

1 cies, or other international organizations, in carrying out the
2 purposes of this Act, and may make payments, by advance-
3 ments or reimbursements, for such purpose, out of funds
4 made available for the purposes of this Act, as may be neces-
5 sary therefor, to the extent that special compensation is
6 usually required for such services and facilities.

7 (b) The President shall cause to be transmitted to the
8 Secretary General of the United Nations copies of reports
9 to Congress on the operations conducted under this Act.

10 (c) Any agreements concluded between the United
11 States and participating countries, or groups of such coun-
12 tries, in implementation of the purposes of this Act, shall be
13 registered with the United Nations if such registration is
14 required by the Charter of the United Nations.

15 TERMINATION OF PROGRAM

16 SEC. 21. (a) After June 30, 1952, or after the date of
17 the passage of a concurrent resolution by the two Houses of
18 Congress before such date, which declares that the powers
19 conferred on the Administrator by or pursuant to subsection
20 (a) of section 11 of this Act are no longer necessary for the
21 accomplishment of the purposes of this Act, whichever shall
22 first occur, none of the functions authorized under such pro-
23 visions may be exercised; except that during the twelve
24 months following such date commodities and services with
25 respect to which the Administrator had, prior to such date,

1 authorized procurement for, shipment to, or delivery in a par-
2 ticipating country, may be transferred to such country, and
3 funds appropriated under authority of this Act may be obli-
4 gated during such twelve-month period for the necessary ex-
5 penses of procurement, shipment, delivery, and other activi-
6 ties essential to such transfer, and shall remain available
7 during such period for the necessary expenses of liquidating
8 operations under this Act.

9 (b) At such time as the President shall find appro-
10 priate after such date, and prior to the expiration of the
11 twelve months following such date, the powers, duties, and
12 authority of the Administrator under this Act may be
13 transferred to such other departments, agencies, or estab-
14 lishments of the Government as the President shall specify,
15 and the relevant funds, records, and personnel of the Admin-
16 istration may be transferred to the departments, agencies,
17 or establishments to which the related functions are
18 transferred.

19 REPORTS TO CONGRESS

20 SEC. 22. The President from time to time, but not less
21 frequently than once every calendar quarter through June
22 30, 1952, and once every year thereafter until all opera-
23 tions under this Act have been completed, shall transmit
24 to the Congress a report of operations under this Act.
25 Reports provided for under this section shall be transmitted

1 to the Secretary of the Senate or the Clerk of the House of
2 Representatives, as the case may be, if the Senate or the
3 House of Representatives, as the case may be, is not in session.

4 JOINT CONGRESSIONAL COMMITTEE

5 SEC. 23. (a) There is hereby established a joint con-
6 gressional committee to be known as the Joint Committee
7 on Foreign Economic Cooperation (hereinafter referred to
8 as the committee), and to be composed of seven Members
9 of the Senate to be appointed by the President of the Senate,
10 and seven Members of the House of Representatives to be
11 appointed by the Speaker of the House. In each instance,
12 not more than four members shall be members of the same
13 political party. A vacancy in the membership of the com-
14 mittee shall be filled in the same manner as the original
15 selection. The President of the Senate and the Speaker of
16 the House, acting jointly, shall appoint a chairman and a
17 vice chairman from among the members of the committee.

18 (b) It shall be the function of the committee to make a
19 continuous study of the programs of United States economic
20 assistance to foreign countries, and to review the progress
21 achieved in the execution and administration of such pro-
22 grams. Upon request, the committee shall aid the several
23 standing committees of the Congress having legislative juris-
24 diction over any part of the programs of United States
25 economic assistance to foreign countries; and it shall make a

1 report to the Senate and the House of Representatives, from
2 time to time, concerning the results of its studies, together
3 with such recommendations as it may deem desirable. The
4 Administrator, at the request of the committee, shall consult
5 with the committee from time to time with respect to his
6 activities under this Act.

7 (c) The committee, or any duly authorized subcom-
8 mittee thereof, is authorized to hold such hearings, to sit and
9 act at such times and places, to require by subpoena or other-
10 wise the attendance of such witnesses and the production of
11 such books, papers, and documents, to administer such oaths,
12 to take such testimony, to procure such printing and binding,
13 and to make such expenditures as it deems advisable. The
14 cost of stenographic services to report such hearings shall
15 not be in excess of 25 cents per hundred words. The pro-
16 visions of sections 102 to 104, inclusive, of the Revised
17 Statutes shall apply in case of any failure of any witness
18 to comply with any subpoena or to testify when summoned
19 under authority of this subsection.

20 (d) The committee is authorized to appoint and, with-
21 out regard to the Classification Act of 1923, as amended, fix
22 the compensation of such experts, consultants, technicians,
23 and organizations thereof, and, clerical and stenographic
24 assistants as it deems necessary and advisable.

25 (e) There are hereby authorized to be appropriated

1 such sums as may be necessary to carry out the provisions of
2 this section, to be disbursed by the Secretary of the Senate
3 on vouchers signed by the chairman.

4 SEPARABILITY CLAUSE

5 SEC. 24. If any provision of this Act or the applica-
6 tion of such provision to any circumstances or persons shall
7 be held invalid, the validity of the remainder of the Act
8 and the applicability of such provision to other circumstances
9 or persons shall not be affected thereby.

A BILL

To promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

By Mr. VANDENBERG and Mr. CONNALLY

FEBRUARY 23 (legislative day, FEBRUARY 2), 1948
Read twice and referred to the Committee on
Foreign Relations

FEBRUARY 26 (legislative day, FEBRUARY 2), 1948
Reported without amendment

DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued March 2, 1948
For actions of March 1, 1948
80th-2nd, No. 38

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HIGHLIGHTS: Both Houses agreed to conference report on urgent deficiency appropriation bill. Senate began debate on ERP bill. Both Houses received President's message urging extension of Trade Agreements Act. Rep. Stockman introduced bill to repeal wheat-carryover requirement.

SENATE

- 1. URGENT DEFICIENCY APPROPRIATION BILL, 1948.** Both Houses agreed to the conference report on this bill, H. R. 5525 (pp. 1988, 2002-3). This bill will now be sent to the President. As finally passed, the bill includes the following items of interest to this Department: School-lunch program, \$5,000,000; insect investigations, \$115,000; insect and plant-disease control, \$174,200; control of emergency outbreaks of insects and plant diseases, \$420,000; control of forest pests, \$843,000; national forest protection and management (timber sales), \$475,000; fighting forest fires, \$4,932,000; and Commission on Organization of the Executive Branch of the Government, \$1,188,600.
- 2. EUROPEAN RECOVERY PROGRAM.** Began debate on S. 2202, the ERP bill, with Chairman Vandenberg of the Foreign Relations Committee giving the opening speech (pp. 1980-6).
- 3. FOREIGN TRADE.** Sen. Knowland, Calif., inserted a table and other information on U. S. trade with Russia (pp. 1988-91).
- 4. ECONOMIC COUNCIL.** Sen. Morse, Oreg., commended the Employment Act of 1946 and inserted a review of a book, "Mr. Truman's Economic Advisers and How They Work" (pp. 1992-3).
- 5. FLOOD CONTROL.** Sen. Morse spoke in favor of additional flood-control activities (pp. 1993-4).

6. SOIL CONSERVATION. Received from the Gulf Coast Soil Conservation and Drainage Assn. a petition favoring H. R. 3538, authorizing drainage plans by USDA, and H. R. 4417, to provide for a soil-conservation policy (p. 1980).
7. LEASES. The Expenditures in the Executive Departments Committee directed its staff to make a survey of all non-Government-owned property being leased by Federal agencies (p. D175).

HOUSE

8. TRADE AGREEMENTS. Both Houses received from the President a recommendation to extend the Reciprocal Trade Agreements Act in its present form for 3 years, until June 12, 1951 (H.Doc. 551) (pp. 1987, 2001-2).
9. RUBBER. The Rules Committee reported a resolution for the consideration of H.R. 5314, to strengthen the national security and the common defense by providing for the maintenance of an adequate domestic rubber-producing industry (pp. 2001, 2020).
10. FOREST LANDS. Passed as reported S. 1698, defining the exterior boundary of the Uintah and Ouray Indian Reservation, Utah (pp. 2009-10).
11. LANDS. Passed without amendment H.R. 3628, to revise the method of issuing patents for public lands (p. 2003).
Passed without amendment H.R. 5049, to reopen the revested Oregon and California Railroad and reconveyed Goshute Wagon Road grant lands to exploration, entry, and disposition under the general mining laws (p. 2010).
12. PATENTS. Passed as reported H.R. 4304, providing for the extension of the time limitations under which patents were issued in the case of persons who served in the military or naval forces of the U.S. during World War II (pp. 2004-5).
13. EXPORT CONTROLS. The Small Business Committee submitted a report on export controls (H.Rept. 1440) (p. 2020).
14. PERSONNEL. Received from the Federal Power Commission a statement showing the names and salaries of all Federal Power Commission employees as of June 30, 1947 (p. 2020).

BILLS INTRODUCED

15. WHEAT CARRYOVER. H.R. 5650, by Rep. Stockman, Ore., to amend the Foreign Aid Act of 1947 and the Third Supplemental Appropriation Act, 1948, so as to eliminate certain provisions of such acts requiring the retention of a specified carry-over of wheat in the U.S. To Foreign Affairs Committee. (p. 2020.)
16. REA APPROPRIATIONS. H.R. 5652, by Rep. Kefauver, Tenn., making an additional appropriation to carry out the provisions of the Rural Electrification Act. To Appropriations Committee. (p. 2020.)
17. FLOOD CONTROL. H.R. 5649, by Rep. Simpson, Ill., to provide for the prosecution of work on the flood-control project at Beardstown, Ill. To Public Works Committee. (p. 2020.)
18. FEDERAL AID; HEALTH. H.R. 5644, by Rep. Dolliver, Iowa, to assist the States in the development and maintenance of local public-health units. To Interstate and Foreign Commerce Committee. (p. 2020.)



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WASHINGTON, MONDAY, MARCH 1, 1948

No. 38

Senate

(Legislative day of Monday, February 2, 1948)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Rev. Bernard Braskamp, D. D., pastor of the Gunton-Temple Memorial Presbyterian Church, Washington, D. C., offered the following prayer:

Almighty God, by whose mercies we are spared and by whose power we are sustained, help us during this day to see life in the radiant splendor of its dignity and its greatness, its privileges and its opportunities.

Grant that we may sense the sanctity of all our duties and responsibilities. May we never be afraid of that which is high or hard, but may we pursue it with constancy and with courage.

May we count it our highest wisdom to enthrone Thy will in our lives and our highest calling to incarnate the spirit of our blessed Lord. Emancipate our minds and hearts from everything that is alien to that will and that spirit.

Hear us in Christ's name. Amen.

THE JOURNAL

On request of Mr. WHERRY, and by unanimous consent, the reading of the Journal of the proceedings of Friday, February 27, 1948, was dispensed with, and the Journal was approved.

MESSAGES FROM THE PRESIDENT— APPROVAL OF BILLS AND JOINT RESOLUTION

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that the President had approved and signed the following acts and joint resolution:

On February 27, 1948:

S. 310. An act authorizing the issuance of a patent in fee to Jonah Williams;

S. 409. An act for the relief of Milan Jandrich;

S. 522. An act to authorize the sale of certain lands of the L'Anse Band of Chippewa Indians, Michigan;

S. 1485. An act to authorize the Secretary of the Interior to dispose of certain lands heretofore acquired for the Albuquerque Indian School, New Mexico;

S. 1591. An act to transfer certain transmission lines, substations, appurtenances, and equipment in connection with the sale and disposition of electric energy generated at the Fort Peck project, Montana, and for other purposes;

S. 1673. An act to authorize the promotion of James Y. Parker, Army serial No. O20712, as major, Army of the United States, as of March 1, 1942, under the act of February 16, 1942 (56 Stat. 94), and for other purposes; and

S. J. Res. 173. Joint resolution to continue until March 1, 1949, the authority of the Maritime Commission to sell, charter, and operate vessels, and for other purposes.

On February 28, 1948:

S. 311. An act authorizing the issuance of a patent in fee to Charles Ghost Bear, Sr.;

S. 312. An act authorizing the issuance of a patent in fee to Charles Kills the Enemy;

S. 313. An act authorizing the issuance of a patent in fee to Calvin W. Clincher;

S. 1133. An act providing for the per capita payment of certain moneys appropriated in settlement of certain claims of the Indians of the Fort Berthold Indian Reservation in North Dakota; and

S. 1454. An act to amend the Public Health Service Act in regard to certain matters of personnel and administration, and for other purposes.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had agreed to the amendments of the Senate to the joint resolution (H. J. Res. 231) providing for membership and participation by the United States in the Caribbean Commission and authorizing an appropriation therefor.

The message also announced that the House had passed a joint resolution (H. J. Res. 296) to maintain the status quo in respect of certain employment taxes and social-security benefits pending action by Congress on extended social-security coverage, in which it requested the concurrence of the Senate.

ENROLLED BILL AND JOINT RESOLUTION SIGNED

The message further announced that the Speaker had affixed his signature to the following enrolled bill and joint resolution, and they were signed by the President pro tempore:

H. R. 3726. An act for the relief of certain officers and employees of the Foreign Service of the United States who, while in the course of their respective duties, suffered losses of personal property by reason of war conditions; and

H. J. Res. 231. Joint resolution providing for membership and participation by the United

States in the Caribbean Commission and authorizing an appropriation therefor.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

NAMES AND COMPENSATION OF PERSONS EMPLOYED BY FEDERAL POWER COMMISSION

A letter from the Chairman of the Federal Power Commission, transmitting, pursuant to law, a report showing the names and compensation of the members and employees of that Commission as of June 30, 1947 (with accompanying papers); to the Committee on Interstate and Foreign Commerce.

LANDS BENEATH INLAND NAVIGABLE WATERS, ETC.

A letter from the assistant to the Attorney General, transmitting a draft of proposed legislation relating to the rights of the several States in lands beneath inland navigable waters and to the recognition of equities in submerged coastal lands adjacent to the shores of the United States, and for other purposes (with an accompanying paper); to the Committee on Interior and Insular Affairs.

PETITIONS AND MEMORIAL

The PRESIDENT pro tempore laid before the Senate the following petitions and a memorial, which were referred as indicated:

A resolution adopted by the Tau Epsilon Rho Fraternity, Philadelphia, Pa., favoring the removal of the embargo on arms and munitions to Palestine; to the Committee on Foreign Relations.

The memorial of Arnold L. Couty, Coos Bay, Oreg., remonstrating against the alleged growing tendency of the Congress to infringe upon the constitutional power of the courts; to the Committee on the Judiciary.

A resolution adopted by the Gulf Coast Conservation and Drainage Association of Texas at Angleton, Tex., relating to the provision of the reclamation law exempting rice-producing areas of Texas and California from certain land limitations; to the Committee on Interior and Insular Affairs.

A resolution adopted by the Gulf Coast Soil Conservation and Drainage Association of Texas at Angleton, Tex., favoring the enactment of the bill (H. R. 5198) authorizing preliminary examinations and surveys of the streams and their larger tributaries flowing through the Brazoria-Galveston soil-conservation district, the Trinity Bay soil-conservation district, the Coastal Plains soil-conservation district, and the Matagorda

County soil-conservation district, in Texas; to the Committee on Public Works.

A resolution adopted by the Gulf Coast Soil Conservation and Drainage Association of Texas, an Angleton, Tex., favoring the enactment of the bill (H. R. 3538) to authorize the Bureau of Reclamation to investigate and report on projects for reclaiming lands by drainage; to the Committee on Agriculture and Forestry.

A resolution adopted by the Gulf Coast Soil Conservation and Drainage Association, of Texas, at Angleton, Tex., favoring the enactment of the bill (H. R. 4417) to provide for a national land policy based on the conservation of our soil and water resources and the orderly development and protection of the Nation's agricultural lands; to the Committee on Agriculture and Forestry.

REPORT OF A COMMITTEE

The following report of a committee was submitted:

By Mr. WILEY, from the Committee on the Judiciary:

H. R. 3742. A bill for the relief of Robert Wilhelm Gerling; without amendment (Rept. No. 948).

REPORT OF CONGRESSIONAL AVIATION POLICY BOARD (REPT. NO. 949)

Mr. BREWSTER. Mr. President, I ask unanimous consent that the report of the Congressional Aviation Policy Board, required by Public Law No. 287, Eightieth Congress, to be filed on this day, may be submitted at any time up to 6 o'clock this evening, and that it be printed, with an illustration.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Subsequently, a letter from Mr. BREWSTER, chairman of the Congressional Aviation Policy Board, transmitting the foregoing report, was laid before the Senate.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. GURNEY:

S. 2238. A bill authorizing the Secretary of the Interior to convey certain lands in South Dakota for municipal or public purposes; to the Committee on Interior and Insular Affairs.

By Mr. WILEY (by request):

S. 2239. A bill to amend Public Law 663, Seventy-sixth Congress, so as to protect the badge, medal, emblem, or other insignia of auxiliaries to veterans' organizations (with accompanying papers); to the Committee on the Judiciary.

By Mr. WATKINS:

S. 2240. A bill to include certain lands within the Uinta and Wasatch National Forests, Utah, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. MORSE:

S. 2241. A bill for the relief of Mr. and Mrs. Herbert L. Green; to the Committee on the Judiciary.

EUROPEAN RECOVERY PROGRAM—AMENDMENTS

Mr. FULBRIGHT submitted amendments intended to be proposed by him to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic

conditions essential to a peaceful and prosperous world, which were ordered to lie on the table and to be printed.

HOUSE JOINT RESOLUTION REFERRED

The joint resolution (H. J. Res. 296) to maintain the status quo in respect of certain employment taxes and social-security benefits pending action by Congress on extended social-security coverage, was read twice by its title, and referred to the Committee on Finance.

HOW TO WRITE YOUR CONGRESSMAN—ARTICLE BY SENATOR WILEY

[Mr. WILEY asked and obtained leave to have printed in the RECORD an article entitled "How To Write Your Congressman," written by him and published in the March 1948 issue of the magazine Successful Farming, which appears in the Appendix.]

A LOW-COST HOUSING PLAN—PROPOSAL OF JOSEPH H. SELLIKEN

[Mr. MORSE asked and obtained leave to have printed in the RECORD a proposal entitled "A Low-Cost Housing Plan," proposed by Joseph H. Selliken, committee chairman, 2039 North Dekum, Portland, Oreg., which appears in the Appendix.]

CIVIL-RIGHTS LEGISLATION—EDITORIAL FROM THE WASHINGTON STAR

[Mr. ELLENDER asked and obtained leave to have printed in the RECORD an editorial entitled "Dangerous Legislation," published in the Washington Sunday Star, February 29, 1948, which will appear hereafter in the Appendix.]

FAIR-EMPLOYMENT PRACTICES BILL—EDITORIAL FROM THE CHICAGO DEFENDER

[Mr. CAPPER asked and obtained leave to have printed in the RECORD an editorial entitled "Good Business Sense," published in the Chicago Defender under date of February 28, 1948, which appears in the Appendix.]

STATE DEPARTMENT POLICIES—ARTICLE BY CONSTANTINE BROWN

[Mr. WATKINS asked and obtained leave to have printed in the RECORD an article entitled "State Department Scored for Patched-Quilt Policy," by Constantine Brown, published in the Washington Star, February 29, 1948, which appears in the Appendix.]

AMERICAN FOREIGN POLICY RESPECTING CHINA—ARTICLE BY ALEXANDER H. UHL

[Mr. TAYLOR asked and obtained leave to have printed in the RECORD an article entitled "China: Foreign Policy by Blackmail," by Alexander H. Uhl, published in the newspaper PM on Sunday, December 21, 1947, which appears in the Appendix.]

MEETINGS OF COMMITTEES AND SUBCOMMITTEES

Mr. BALL asked and obtained consent that the Joint Committee on Labor Management may meet later today while the Senate is in session.

Mr. WHERRY asked and obtained consent that the Committee on the Judiciary may sit this afternoon during the session of the Senate.

Mr. WATKINS asked and obtained consent that the Subcommittee on Indian Affairs of the Committee on Interior and Insular Affairs be permitted to hold a hearing during the session of the Senate today.

LEAVE OF ABSENCE

Mr. MURRAY asked and obtained consent that Mr. MAGNUSON be excused from attendance on the sessions of the Senate during the remainder of the week.

EUROPEAN RECOVERY PROGRAM

Mr. WHERRY. I move that the Senate proceed to the consideration of Calendar No. 978, Senate bill 2202.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

The PRESIDENT pro tempore. The question is on the motion of the Senator from Nebraska.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. WHERRY. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Gurney	Moore
Baldwin	Hatch	Morse
Ball	Hayden	Murray
Barkley	Hickenlooper	O'Connor
Brewster	Hill	O'Daniel
Bricker	Hoyt	O'Mahoney
Brooks	Holland	Overton
Buck	Ives	Reed
Bushfield	Jenner	Revercomb
Butler	Johnson, Colo.	Robertson, Wyo.
Byrd	Kem	Russell
Cain	Kilgore	Smith
Capper	Knowland	Sparkman
Chavez	Langer	Stennis
Connally	Lodge	Stewart
Cooper	Lucas	Taft
Cordon	McCarran	Taylor
Donnell	McCarthy	Thye
Downey	McClellan	Tobey
Dworshak	McFarland	Umstead
Eaton	McGrath	Vandenberg
Ellender	McKellar	Watkins
Ferguson	McMahon	Wherry
Flanders	Magnuson	Wiley
Fulbright	Malone	Williams
George	Martin	Wilson
Green	Millikin	Young

Mr. WHERRY. I announce that the Senator from Indiana [Mr. CAPEHART] is absent by leave of the Senate on official committee business.

The Senator from New Hampshire [Mr. BRIDGES], the Senator from New Jersey [Mr. HAWKES], and the Senator from Massachusetts [Mr. SALTONSTALL] are necessarily absent.

Mr. LUCAS. I announce that the Senator from Mississippi [Mr. EASTLAND] and the Senator from Maryland [Mr. TYDINGS] are absent because of illness.

The Senator from New York [Mr. WAGNER] is necessarily absent.

The Senator from South Carolina [Mr. MAYBANK] and the Senator from Oklahoma [Mr. THOMAS] are absent by leave of the Senate.

The Senator from South Carolina [Mr. JOHNSTON], the Senator from Pennsylvania [Mr. MYERS], the Senator from Florida [Mr. PEPPER], the Senator from Virginia [Mr. ROBERTSON], and the Sena-

tor from Utah [Mr. THOMAS] are absent on public business.

The PRESIDING OFFICER (Mr. CAIN in the chair). Eighty-one Senators having answered to their names, a quorum is present.

The Chair recognizes the Senator from Michigan.

Mr. VANDENBERG. Mr. President, for the sake of continuity I respectfully ask my colleagues to permit me to conclude my general statement on the pending bill without interruption.

Mr. President, with the unanimous approval of the Senate Foreign Relations Committee, I report the Economic Cooperation Act of 1948 in its perfected text. In the name of peace, stability, and freedom it deserves prompt passage. In the name of intelligent American self-interest it envisions a mighty undertaking worthy of our faith. It is an economic act—but economics usually control national survivals these days. The act itself asserts that "disruption following in the wake of war is not contained by national frontiers." It asserts that "the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations."

Every Senator knows that these dangers are even greater than they were when those words were written only two short weeks ago. The fate of Czechoslovakia, where any semblance of democracy has just been gutted by subversive conquest, underscores this solemn thesis. The kindred fate of brave little Finland may be adding to the ominous score this very afternoon even while we debate an axiom, namely, that aggressive communism threatens all freedom and all security, whether in the Old World or in the New, when it puts free peoples anywhere in chains.

The act asserts sound doctrine when it says that it is "the policy of the people of the United States to sustain and strengthen principles of individual liberty, free institutions and genuine independence through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation." Mr. President, this act may well become a welcome beacon in the world's dark night, but if a beacon is to be lighted at all it had better be lighted before it is too late.

Nevertheless, Mr. President, the decision which here concerns the Senate is the kind that tries men's souls. I understand and share the anxieties involved. It would be a far happier circumstance if we could close our eyes to reality, comfortably retire within our bastions, and dream of an isolated and prosperous peace. But that which was once our luxury would now become our folly. This is too plain to be persuasively denied in a foreshortened, atomic world. We must take things as they are.

The greatest nation on earth either justifies or surrenders its leadership. We must choose. There are no blueprints to guarantee results. We are entirely surrounded by calculated risks. I profoundly believe that the pending program is the best of these risks. I have no quarrel with those who disagree, because

we are dealing with imponderables. But I am bound to say to those who disagree that they have not escaped to safety by rejecting or subverting this plan. They have simply fled to other risks, and I fear far greater ones. For myself, I can only say that I prefer my choice of responsibilities.

This legislation, Mr. President, seeks peace and stability for freemen in a free world. It seeks them by economic rather than by military means. It proposes to help our friends to help themselves in the pursuit of sound and successful liberty in the democratic pattern. The quest can mean as much to us as it does to them. It aims to preserve the victory against aggression and dictatorship which we thought we won in World War II. It strives to help stop World War III before it starts. It fights the economic chaos which would precipitate far-flung disintegration. It sustains western civilization. It means to take western Europe completely off the American dole at the end of the adventure. It recognizes the grim truth—whether we like it or not—that American self-interest, national economy, and national security are inseparably linked with these objectives. It stops if changed conditions are no longer consistent with the national interest of the United States. It faces the naked facts of life.

Within the purview of this plan are 270,000,000 people of the stock which has largely made America. These are 26 percent of all the literates of the earth. Before the war they operated 68 percent of all the ships that sailed the sea. They grew 27 percent of all the world's cereals. They produced 37 percent of the world's steel. They sold 24 percent of the world's exports and bought 39 percent of the world's imports. They are struggling, against great and ominous odds, to regain their feet. They must not be allowed to fail. The world—America emphatically included—needs them as both producers and consumers. Peace needs their healthy restoration to the continuing defense of those ideals by which free men live. This vast friendly segment of the earth must not collapse. The iron curtain must not come to the rims of the Atlantic either by aggression or by default.

I wish, Mr. President, swiftly to sketch the chain reaction of events responsible for the issue we here confront. It is a significant narrative which speaks for itself in behalf of the need and justification for this heroic adventure, the greatest ever initiated by any one nation for the sake of peaceful humanities. In the background, of course, is the war itself; the military defeat of the Axis; the utter prostration of postwar Europe amid the ashes of its victory; the resultant tragedy of far-flung human want and suffering; the paralysis of the peace that has not yet come; the rise of new aggression reaching out for ominous conquest amid distraught and disintegrating peoples. I do not here assess whatever mistakes in statesmanship may have helped precipitate or prolong these catastrophies. It is enough, for the present consideration, that the tragedies occurred and that they still threaten the peace, stability, and security of this

whole earth, the United States again emphatically included.

In the sanctuary of our relative good fortune where not one bomb fell during all those desperate days when the skies of Europe were raining death, we promptly and willingly went to the postwar aid of our prostrate friends. We literally leaped with them from one crisis to another. Bill after bill went through Congress for their relief, and billion after billion went from us to them. Two years of this went by. Often the efforts failed of the desired results—although, despite all debts, I hesitate to think what would have happened in the absence of the efforts. But it became clear that the process could not indefinitely go on, first, because western Europe could not wait longer for real emancipation; second, because America could not longer afford to underwrite futility. We were both near the ends of our ropes.

Then came June 5, 1947. Secretary of State Marshall made a speech at Harvard. Just as at neighboring Concord in an earlier century, it proved to be "a shot heard round the world." At the moment it was just a few sentences in a quiet sequence. I quote:

It is already evident that before the United States Government can proceed much further in its effort to alleviate the situation and help the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. The initiative, I think, must come from Europe.

~ The role of this country should consist of friendly aid in the drafting of a European program and of later support of such a program so far as it may be practical for us to do so. The program should be a joint one, agreed to by a number, if not all, of the European nations.

Mr. President, the responsive effect in Europe was electric. History wrote with rushing pen. It was a new call to the colors—this time a peace call to mobilize for self-help and cooperation in quest of mutual survival. The British Bevin and the French Bidault promptly summoned a European conference. They consulted the Russian Molotov. He met with them in Paris on June 27. As usual, his demands were impossible; and, as usual, treacherous Moscow propaganda charged us with iniquitous American "imperialism," a charge shockingly echoed by some of our own citizens. The Soviets vetoed concerted action, but Bevin and Bidault went ahead. They invited 22 European nations—all of them—to meet in Paris. All Soviet-dominated countries sent their refusals, including Czechoslovakia, which, after a hasty summons to the Kremlin, withdrew its previous approval and now finds itself forcefully communized against any further expressions of self-will. Sixteen nations accepted the invitation. Here they are: Austria, Greece, Norway, Switzerland, Belgium, Iceland, Portugal, Turkey, Denmark, Ireland, Sweden, United Kingdom, France, Italy, Luxembourg, Netherlands.

They met on July 12 and organized the Committee of European Economic Cooperation, known as CEEC. They

met to coordinate the independent nations of Europe in a self-help effort to seek stability and preserve freedom in response to the dynamic impulse of what was then called the Marshall plan. They met to plan hopeful cooperation that might justify American assistance. And they met bravely, Mr. President—"bravely" because it was in virtual defiance of the Russian Bear, which promptly showed its teeth.

Within 4 weeks Moscow dictated new reprisal agreements and tighter affiliations with all her satellites, and quickly organized the Cominform, through which the Communists of nine nations speak for the Communist world. The "iron curtain" took on more "iron." The Cominform is a modern version of the supposedly defunct Comintern, which was communism's prior agent of world violence and revolution. It frankly calls upon Communists everywhere to wreck the Marshall plan and condemns it and us with a new intemperance of invective and distortion. It is indeed "cold war." It is pressure war against the independent recovery of western Europe. Obviously, it is also aimed at us. It is a conspiracy to prevent the emergence of order out of chaos, stability out of confusion, and western freedom out of hopelessness. Communists everywhere have responded. The great sabotage is under way. Let me make it completely plain that I do not suggest, even by the remotest inference, that all opponents to the plan are Communists. I have already expressed my complete respect for the honest opinions of citizens who disagree. I simply point out, as part of the record, that while every critic is not a Communist, every Communist is a critic, and the orders from the Kremlin are to wreck this enterprise. Thus, the postwar pattern continues in familiar and consistent form.

I said that the 16 cooperating nations in CEEC acted bravely, as I hope we, too, may do. I have in mind not only the implications of the Cominform, but also such threatening statements as that by Mr. Molotov saying:

The Soviet Government considers it necessary to caution the Governments of Great Britain and France against the consequences of such action.

Yet, Mr. President, there is nothing in this plan which threatens the Soviet police empire with any sort of consequence which she does not herself choose voluntarily to invite. It is not a plan against eastern Europe, unless the independent survival of free peoples is on the blacklist. It is a plan for western Europe. It is not external conquest. It is not dictation. It is internal recuperation by self-chosen methods. Eastern Europe was invited in. It was her own decision that keeps her out. It seems obvious that at least three of these countries behind the curtain would have joined if left to their own free wills. But, Mr. President, there are no free wills in police states.

East-west flow of trade in Europe is necessary to both. Its resumption will be profitable to both. There is nothing in this plan which retards this resumption, unless Moscow itself so elects. The healthy recuperation of western Europe

should facilitate this resumption for the good of all concerned, if we can have a peaceful world. All poisoned propaganda to the contrary notwithstanding, both at home and abroad, this is America's incentive and her dearest wish.

The honorable release of east-west tension would be the greatest boon of modern times. It can be released whenever there is mutual east-west fidelity to the objectives of World War II asserted by the united Allies on January 1, 1942, and whenever there is mutual east-west fidelity to the principles and purposes of the United Nations. It can be released whenever there is mutual east-west respect for the rights of free peoples to order their own lives. There is no consistent effort which the Government of the United States should withhold in pursuit of this objective. We must always be ready for any discussion to this end. Peace with justice is our utterly paramount concern. Any thought of another war is abhorrent to our souls. But peace and appeasement are not on speaking terms, and they have not been since Munich, after World War I, and Yalta, in World War II.

But let me resume the narrative. The CEEC met for 10 weeks in Paris, concluding on September 22. It has been cynically said that they met just to total up a bill to present to Uncle Sam. Nothing could be more cruel or further from the truth. They met to see what they could do to meet the Marshall self-help specifications, and they concluded mutual pledges of amazing portent and vitality. We did not dictate their ticket. They wrote it for themselves. They volunteered their pledges—to use all efforts to develop production up to agreed targets—to apply all necessary measures leading to the rapid achievement of internal financial monetary and economic stability—to cooperate in all possible steps to reduce barriers to the expansion of trade—to set up a joint organization to follow these objectives through and to insure them to the fullest possible extent. All these, and many other obligations, they offered to assume. It was a historic moment. Someday the United States of Europe may look back upon it as we do to the Annapolis Conference which preceded the Constitutional Convention at Philadelphia. It was a courageous and constructive answer to the United States. It offered the best chance for stable peace and for peaceful stability that there is on earth today—outside of a reinvigorated United Nations which it would immensely further. For myself, Mr. President, I assert the deep conviction that it is worth the wholehearted cooperation of the United States as the cheapest and most promising peace investment in our own self-interest that we face. What we can "afford to do" is one thing—and never to be minimized. But what we cannot afford not to do is just as vital in the estimates of prudent statesmanship.

I comment, in passing, that these were not idle words at Paris. Our friends meant exactly what they said. They have already begun to prove it. "Benelux" already joins three of these countries in a customs union. Others are

ready to come in. France has already performed major surgery on her currency. Italy and France have faced powerful Communist subversion and survived the test—a feat that might well have been impossible without our present and prospective economic aid. They, too, are negotiating a customs union. Bizonia in Germany is now well likely to become Trizonia in the spirit of new unity at the heart and core of European recovery. Britain's Bevin, backed by the united spokesmanship of his country, is calling for western union. These are new signs of the new times, Mr. President. If these trends are thwarted, if these hopes are dashed, I confess that I tremble for the consequences in this foreshortened world. This is not hysteria. It is simple candor. In my view, the approaching Senate roll calls are that important—to them and to us.

Now, Mr. President, make note of this: All these CEEC promises and pledges—importantly, including, by the way, the acquisition of essential strategic materials for stock piling in the United States—are to be written into agreements as a condition precedent to our cooperation. There will be specific bilateral contracts between the United States and each beneficiary country. There will be specific targets. There will be multilateral contracts in which all countries underwrite the common aim and the common cause. The obligations will be set down in black and white. This is no mere wishing well. For one example, in respect to the most vital commodity of all, coal production is pledged to go from 398,000,000 tons in 1946 to 495,000,000 tons in 1949 and 586,000,000 tons in 1952.

Your Committee on Foreign Relations has made every possible effort to protect all these expectations. Indeed, this legislation which the Senate is asked to approve categorically asserts that—

The continuity of assistance provided by the United States should at all times be dependent upon the continuity of cooperation among the countries involved.

The act categorically asserts that—the Administrator shall terminate assistance under this act to any participating country whenever he determines that such country is not adhering to its agreement or is diverting from the purposes of this act assistance provided thereunder.

No law can guarantee its own success. No man has a right dogmatically to say that any plan will succeed in these dangerous days of flux. But here is a warrant for maximum confidence that we do not indefinitely undertake a failure. All the more it makes the chance worth taking.

Now let me return to the narrative again. The CEEC summoned its best minds abroad to the council table. They had been warned by the Harvard speech that America expected a self-contained plan which could reasonably progress toward the restoration of economic independence and the end of American assistance. They had been warned that a successful recovery program must take the place of everlasting relief programs. They set to work to meet the challenge. At the end of 10 weeks they produced

the answer. It would take $4\frac{1}{4}$ years of intensive self-help and cooperation, with progressively decreasing American assistance during this term of years. Their original estimate was that it might require an over-all total of twenty-two and four-tenths billions of American aid for western Europe, including western Germany. Chiefly by the deduction of capital-equipment items, this figure came down to seventeen billions for $4\frac{1}{4}$ years. In other words, this peace investment might cost one-third as much in $4\frac{1}{4}$ years as we appropriated for war in just one bill that passed the Senate in 5 minutes and without a roll call one June afternoon in 1944. War has no bargains. I think peace has. I believe I am talking about one now.

I digress, however, to say that there is no seventeen billions or any other comparable figure in this pending legislation. It was in the first executive draft that came to us 2 months ago. I immediately asked for its deletion, and the State Department promptly acquiesced, because it could be no more than an educated guess of doubtful validity if we thus were to attempt to assess events and values so far in advance. Furthermore, it might be misconstrued abroad as a specific dollar commitment without their understanding that one American Congress cannot commit another. Yet the genius of the program, if we are to escape year-to-year relief, is sufficient continuity to encourage dependable long-range planning. We rightly demand continuity of performance from our friends as the price of continuity of aid. It is elementary and indispensable fair play, on the other hand, that continuity of aid similarly should follow continuity of satisfactory performance. It must be inherent and implicit in our purpose. Otherwise, I repeat, this is merely one more stopgap, "rat-hole" operation.

Your Committee on Foreign Relations has met this situation, Mr. President, by familiar statutory device. As is our standard practice when dealing with public projects overlapping into subsequent fiscal years, we have authorized to be appropriated from time to time for $4\frac{1}{2}$ years such sums as may be necessary to carry out the provisions and accomplish the purposes of this act. But the only specific dollar authorization in the act is for 1 year, commencing next April. I shall discuss that later. Suffice it for the moment to point out that this has the effect of eliminating the necessity for subsequent annual authorizations. It thus simplifies the subsequent procedure. But it leaves each annual appropriation, as indeed it must, to the annual decision of the Appropriations Committees of the House and Senate and to the annual discretion of the Congress. The net of it is that the recovery program will pass in annual review. It will be tested annually for its promised accomplishments and for the continuity of its performance. It will be tested annually for its impact on our own economy. Each Congress is free to decide these subsequent issues for itself. But they will do so in the presence of the declared attitude and opinion of the

Eightieth Congress, as expressed in this act, that the program, if successful, should carry through to whatever conclusion it proves to deserve. To withhold an expression of this purpose would be to repudiate our own thesis and to pitifully reduce this act to the status of just one more sterile dole. It would be to rob the act of all the cumulative values upon which we depend for net results and which can infinitely bless us all.

Now, Mr. President, let the narrative deal with equally significant events on this side of the ocean here at home. As soon as it became evident that CEEC intended to act upon Secretary Marshall's suggestion, the President began complementary studies at this end of the line. In my responsibility as chairman of the Foreign Relations Committee, I asked for his immediate appointment of an independent civilian group of seasoned and widely experienced citizens to survey the field and to report what America might wisely and safely do—I repeat those controlling words, "wisely" and "safely"—in connection with the contemplated program. As a result, such a group was named by the President on June 22, 1947, under the chairmanship of Secretary of Commerce Harriman, who was the only Government official on the panel. Its bipartisan membership was completely independent of the Government and its judgments were likewise. It had as fine and as representative a personnel as was ever gathered together to do an unselfish, patriotic job; and it labored with spectacular and unremitting zeal upon its complex task. Its ultimate report is one of the most comprehensive ever made in respect to a public problem. These credentials are important because, as a result, I think it is of paramount importance to us that this Harriman committee, despite occasional disagreement respecting details, came to the over-all conclusion that this recovery program not only is well within our American capacity but also that it is essential to the best welfare of the United States. This, remember, was the verdict of representative American citizenship. I do not know how any great problem in public policy could have been submitted to more competent audit. I commend this thought to prejudicial critics who do not and could not have comparable access to all the facts.

I quote one sentence from the Harriman committee's findings:

The committee is convinced that a sound program for western European recovery should be formulated and adopted by the United States with the same boldness and determination, and the same confidence in the worthiness of the democratic cause, which characterized our action in World War II.

That is the target of private citizenship mobilized through the high spokesmanship of the Harriman committee.

I quote one other sentence:

The domestic consequences (of the fall of western Europe to Communist dominion) are such as no American could easily tolerate.

Does that require any application? I think not. But it is a timely reminder that the Senate cannot contemplate its decision on this pending act with complete and comfortable detachment, as if

there may be no price for us to pay if we reject or emasculate this plan. We have no such complacent option. There is an alternative price. I simply suggest, in passing, for example, that Secretary of Defense Forrestal and Army Secretary Royal testified to our committee that in the absence of some reasonable prospect for the stabilization of western Europe they would find it necessary to urgently demand billions more for national military defense. That, however, is only a small part of what could be the alternative price in a Communist-dominated world. The Harriman committee says the total consequences could include, and I again quote the committee, the spokesmanship for the civilian population of this Nation, "the immediate and sweeping limitation of our economic and political life, perhaps extending even to our form of government."

Which might be the alternative.

But let me again take up the narrative. In addition to the Harriman report, we have the survey by Secretary of the Interior Krug on Natural Resources and Foreign Aid. I quote one sentence:

The aggregate productive capacity of the United States appears ample.

In the same vein we had the so-called Nourse report, from the President's economic advisers. We also had the exhaustive studies of the executive departments through a large committee headed by able Under Secretary Lovett.

Now, Mr. President, I want to make it plain that all of this exploration dealt preponderantly with the most critical of all considerations, namely, the impact of this plan upon our own domestic economy. Nothing could be of more importance because we all agree that the maintenance of a sound and solvent United States is as indispensable to the hopes of the world as it is to us. It would be final blunder to jeopardize our stabilities at home. We shall not do so. I am glad to echo the warning of the Harriman report that "it is not wise to underestimate the steepness of the climb," and that "the aid which the United States gives will impose definite sacrifice on the United States." That is obvious. This is no happy picnic. Heavy post-war peace expenditures involve a burden, just as did the infinitely heavier expenditures of the war—that was, or the expenditures of another war which we propose, with every resource at our command, to prevent. Any drain upon our commodities not in surplus also is a burden, although it is significant to note that the contemplated exports under this plan at its very peak are substantially less than our average exports for 1947. But all authorities agree that the plan can be managed to avoid serious interference with our domestic economy. They agree that it would not precipitate domestic controls which would not be required by the domestic situation alone. For example, there will be no competitive exports of meat under this plan for at least 2 years. There will be no exports of metal scrap. Petroleum products, by the explicit terms of the bill itself, must be purchased offshore to the maximum practicable extent.

Sound administration of the act, Mr. President, will hold all these impacts to a minimum. The bill itself is explicit in these directives. In general terms it lays down the fundamental rule that "no assistance to the participating countries shall seriously impair the economic stability of the United States." In specific terms it lays down the injunction that—

The Administrator must provide for procurement in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the vital need of the people of the United States.

The proponents of this measure, in a word, are not riding rainbows. They recognize the calculated risk. They think it is worth taking in our own enlightened self-interest. They prefer it to the alternative risk. But they proceed with prudence. They recognize the priority which self-interest assigns to the protection of our own domestic situation. We are not to be committed beyond this legitimate boundary. But they believe that we can do both jobs—at home and abroad—and that we cannot afford not to take the preferable chance. In a word, they believe in America.

Now, Mr. President, we come to the act itself, which is unanimously endorsed by the Senate Foreign Relations Committee after 5 weeks of public hearings and 10 days of continuous executive sessions. I cannot speak too gratefully of the friendly patience and bipartisan unity with which my committee colleagues cooperated. If something of their spirit imbues those for whom this legislation is intended, the Economic Cooperation Administration, as it will be called, has hopeful augury.

We confronted many serious perplexities involving wide divergence of opinion in and out of Congress. Perhaps the greatest of these was the question how this gigantic trust should be administered. It is the universal opinion that the success of the enterprise is largely dependent upon the character of its management. It is the universal opinion that its overriding economic purpose requires the highest available type of seasoned business experience and the widest possible autonomous authority for those who patriotically assume these vast economic responsibilities. It is equally the universal opinion that the highest considerations of foreign policy are constantly involved and that, as I said upon a previous historic occasion, we cannot have two Secretaries of State at the same time.

To fit these conflicting specifications into common pattern was, indeed, a jigsaw puzzle. We invited the Brookings Institution of Washington, one of the most respected research laboratories in the country, to make an objective study of this enigma. I express our great obligation to the Brookings Institution for the masterly job it did. The provisions in the pending bill largely follow its recommendations. I am happy to say the result already enjoys well-nigh universal approval in and out of Congress.

We are creating the Economic Cooperation Administration. At its head will be an Administrator with Cabinet status.

In him, under final Presidential control, is vested the responsibility for operating this enterprise. The Administrator and the Secretary of State will keep each other fully and currently informed. Whenever the Secretary of State believes that any action of the Administrator is inconsistent with the foreign policy objectives of the United States, he will consult with the Administrator and, if differences of view are not adjusted, the matter will be referred to the President for final decision. This is a paraphrase of the formula which has worked so well in the Atomic Energy Act involving somewhat similarly mixed functions.

Behind the Administrator, and his Deputy, will be the Public Advisory Board, headed by the Administrator, organized on a bipartisan basis, and consisting of not more than 12 members, to be appointed by the President and confirmed by the Senate, "selected from among citizens of broad and varied experience in matters affecting the public interest." Its functions are advisory. But its utility is profound.

Overseas a special economic mission will be established by the Administrator and under his direction in each participating country; and the chief of each such mission will cooperate with our Ambassador or Minister under a general rule of conduct reflecting the contacts set up for the Administrator and the Secretary of State to avoid inconsistent decisions by either. Meanwhile what might be called a roving ambassador will represent us in dealing with any European organization of participating countries as insistently envisioned by the act. The creation of this post underscores our firm conviction that the salvation of western Europe lies in consolidated self-help and cooperation. Dollars alone will not save them. American assistance alone will not save them. All through the bill we bluntly assert these axioms. What they do for themselves will save them. What they do for themselves is the only possible vindication of our aid. But without a roving ambassador there would be no way for us to hold these governments to strict accountability for these relationships upon which they and we must depend for the final basic success of the undertaking.

To keep the House and Senate, here at home, in intimate touch with the evolution of all these plans, the bill creates the Joint Congressional Committee on Foreign Economic Cooperation—again borrowing this device of proved utility from the Atomic Energy Act. It will consist of seven Senators and seven Representatives. It will be bipartisan. It is already familiarly known as the watchdog committee. Little added definition is required. It will make continuous studies of what goes on. It will provide continuous and intimate congressional liaison with all these undertakings. In general sense it will represent the taxpayers of the United States. It will greatly simplify the subsequent annual responsibilities of Congress when, once each year during the life of this arrangement, it must determine in what degree yesterday's performance warrants tomorrow's continuing cooperation.

I omit further needless details. This is the picture and the pattern of administration. It gives every promise that previous errors in foreign aid will be avoided. It fixes and implements clear and specific responsibilities. It umpires in advance functional conflicts between business management on the one hand and foreign policy upon the other. It is our best possible promise of efficient and effective results in restabilizing a broken world.

Now, Mr. President, we come to the specific figure asked by the President for the first authorization under this bill. It was \$6,800,000,000 for 15 months from next April first. This was the result of rigorous screening by the executive authorities of the CEEC proposals for \$8,400,000,000 and a realistic appraisal of domestic availabilities. It took full account of the Harriman, Krug, and Nourse reports. It was the composite judgment of diversified minds. Secretary Marshall said it was as near a precision figure as human judgments can foresee. Certainly it was sustained by the most complete studies and surveys I have ever seen in a congressional committee. It was further sustained by the independent investigation of the Harriman Committee—composed, remember, of the best business brains available in our civilian life. The comparable Harriman figure was approximately the same. It was still further sustained by the head of the International Bank, who also examined the problem independently and concluded that the figure is a tight-fitting minimum. It was in no sense a stab in the dark. At the very least it is entitled to a presumption of relative dependability until more competent authority competently proves otherwise.

But I can fully understand, Mr. President, why this figure immediately became the subject of wide controversy. In the first place, there was a big gap between this figure and the President's budgetary estimate of actual cash disbursements for this purpose in the next fiscal year—a gap representing obligations and commitments which must be made in advance if our plans are to possess efficient continuity. In the second place, we have been overwhelmed with such a wealth and welter of supporting statistics that even our own experts—to say nothing of our committee members—have rivaled each other in their headaches. At such a moment it is dangerously easy to "lose sight of the forest for the trees." Busy pencils, playing with their decimals, can make objectivity impossible. The committee's unanimous recommendation escapes the horns of this dilemma by rooting itself in a few solid fundamentals which I commend to the common sense of my colleagues.

First. If this plan can succeed on the basis recommended by its authors, no well-wisher would allow it to fail at its inception through lack of original resources sufficient to its success. That would be "penny wisdom and pound foolishness." It could even be unwitting sabotage.

Second. Any estimate of these essential resources, in advance of experience with the plan, is problematical at best.

In such circumstance we should start with figures which enjoy the preponderance of supporting evidence rather than to arbitrarily slice off what might be the difference between success and still-born failure.

Third. Therefore prudence recommends that we launch the plan with figures which offer no alibi for failure; but on a timetable which permits us to review the figures at the earliest moment when experience will permit us to deal with the realities.

On the basis of these sanities, the Committee on Foreign Relations unanimously cut the duration of this first authorization from 15 months to 12 and it reduced the figure from \$6,800,000,000 to \$5,300,000,000. This latter figure accurately reflects the estimated expenditures and commitments for the first 12 months of the original work sheet for 15 months. In other words, we have not undermined the resources for 1 year from April 1, 1948, which we are warned by the authors of this plan are essential to its success. We have not transferred from them to us the responsibility for a failure which might be charged to initial lack of funds. We have not impaired either the resources or the psychology upon which the plan depends. But we have made it imperative that the first task of the next Congress and the next administration next January shall be to resurvey this whole problem in the light of experience and reality; and thus we have reduced the first authorization by \$1,500,000,000.

Mr. President, I attach the greatest importance to this change in the timetable. By next New Years we shall have had 9 months' experience with this enterprise. We shall then know the efficiency of its all-important administrative management; and we shall have the benefit of the Administrator's advice. We shall also have the first-hand judgments of our own joint congressional watch-dog committee. We shall know whether a good crop overseas has lightened the CEEC deficit. We shall know much more about the nature and extent—or perhaps even the suspension—of the sabotage campaigns of the wrecking crews. Most important of all, we shall know to what extent self-help and mutual cooperation in western Europe are giving promise of the vitality upon which this plan inseparably rests. We shall know many things upon which today we can only speculate.

It seems to me that we have everything to gain and nothing to lose—assuming that we are entering upon this high adventure in good faith—by launching this hopeful enterprise full-steam-ahead; and reserving our seasoned and informed judgments for next January, as contemplated by the committee's recommendation, when we shall know whereof we speak instead of gambling now with unknown destiny. I beg of Senators to take this concept to their hearts. This is more than a problem of mathematics; it is a problem in peace, stability, and human freedoms. It may not work. I think it will. But if it fails, let the responsibility rest elsewhere. I say again—as I have said so

many times before—these recommended figures are not sacred. But in the light of the powerful credentials they possess, unless the Appropriations Committee can strongly prove them wrong, let us give them the benefit of any doubts for the time being. Next January is not long to wait for the accounting with so much at stake.

One thing more about this figure of \$5,300,000,000. It goes for loans and grants. The division rests with the Administrator, counseled by his own board and by the National Advisory Council consisting of the highest officers of Government. The division will depend upon the beneficiary's ability to pay and upon the nature of the assistance. The loans will be serviced by the Export-Import Bank. It is roughly estimated that loans will represent from 20 percent to 40 percent of the grand total. Using the lower percentage in averaged application to the first year's authorization, its net cost to us is much nearer \$4,000,000,000 than \$5,300,000,000. It could be—we may hope it will be—even lower in its net effect.

At this point I interject another vital fact. While it is impossible to establish accurate categories at the moment, it is expected that 2 or 3 of these 16 countries in CEEC will be cooperators without any drain upon our dollar aid. They will pay their own way. It also is expected that three other countries will be exclusively on a temporary loan basis—without any grants. It is contemplated that only two countries will be exclusively on a basis of grants. The other eight countries will be on a variable scale of loans and grants. This is no loose give-away. In every instance the plan is geared to hardpan economics.

I now speak of the method used to arrive at this figure. It involves so-called balance of payments. For each country this is the difference between national income from exports, foreign services, and foreign investments, on the one hand, and essential imports of goods and services, on the other hand. This is the balance of payments, and when the former are insufficient to pay for the latter, and there is no gold or convertible currency to make up the difference, any such deficit country is in jeopardy. Under normal exchange conditions, surplus exchange with one country can be balanced against an exchange deficit with others. But this situation does not exist today, and will not until foreign currencies and international exchange are restabilized. This is one of the long-range objectives of this plan—important to every trading nation on earth, our own emphatically included. Meanwhile, the immediate and indispensable objective is to overcome these deficits in western Europe, including western Germany.

Current calculations accordingly were made by the following process: First, estimating each country's import requirements; second, deducting therefrom each country's exports and earnings from foreign services and foreign investments and from any other sources; third, deducting available imports from other Western Hemisphere areas. This final

figure, translated into dollars, represents the amount of support from us to permit these 16 European countries, plus western Germany, to import from the Western Hemisphere the commodities essential to recovery. Import requirements of recipient countries were figured on a basis so close that they do not even restore full prewar living standards. In other words, the figures are down to bed-rock.

Obviously, this brief description oversimplifies the process. There are many other factors influencing the net result. There are many imponderables, I say again and again. Only experience can demonstrate whether the realities will thrust upwards or push downwards the true evaluation. But this is generally accepted as the best measure of need. It was accepted by the Paris Conference, the executive departments, the Harri-man committee, and the International Bank.

I do not undertake to demonstrate that the resultant 12-month figure of \$5,300,000,000 in the bill is precisely accurate. I am content to point out that it is little short of amazing how close together all these estimates, independently made, proved to be. I am content to point out that the timetable in this act, as we have reported it, permits the earliest possible congressional review in the presence of reality. I am content to urge that the burden of proof falls heavily upon those who would argue that, pending this early review, the preliminary figure is too large. I have no sympathy with any "take this or nothing" attitude. But I do prayerfully believe that adequacy is the essence of what we do; and surely we can all agree that success with \$5,300,000,000 in the first instance is preferable to failure with something less. I remind the Senate further that, under the bill's new timetable, we can balance out even the next fiscal year by the appropriations for the fourth quarter. If facts, as we will know them next January, require readjustments, we can make them in the final quarter. Then we can put them up or down with some degree of justified assurance. When we try to adjust them today, we play with danger to the life-line of the plan.

Many other features of the pending bill will develop with the debate. At the moment I refer, finally, to only two.

First. Local currencies must be deposited by each beneficiary country to offset the value of any aid not furnished on terms of payment. The beneficiary country and the United States will agree on the local expenditure of these local currency accumulations in behalf of the purposes of this act. Thus our grants will not become a budgetary windfall in the beneficiary country but will virtually become a revolving fund to do double duty in behalf of the act's objectives.

Second. The investment of private American capital, in approved reconstruction projects in the 16 countries and western Germany, is encouraged by our guaranty of the subsequent convertibility of profits or original investment into dollars. This obviates the hazard most likely to prevent private invest-

ment. At the same time it is a highly practical invitation to American private initiative to join in this great adventure on a free-enterprise basis.

Now, Mr. President, with apologies to my colleagues for the length of this intrusion upon their good nature, I conclude. With a few desultory comments, I am done.

First. This act does not include some of our other unavoidable international obligations. We shall have to deal at this session with China, Greece, Turkey, and Trieste, and with the occupied areas for which we are responsible as a legacy from the war. These things must be remembered as we proceed. We must deal with over-all considerations. Particularly we must faithfully remember the superlative importance of effective solidarity in the Western Hemisphere in unhappy, uncertain days like these. Mutually happy and healthy Pan American relationships are indispensable. They must be conserved. It ought to be entirely possible to substantially improve these economical relationships through the triangular trade that should be possible of development in connection with this European recovery plan.

Second. This act largely depends for its success upon the quality of its administration. The choice of the administrator and his associates is one of the most solemn responsibilities that has ever confronted a President of the United States. I beg of the President to search for the best and to be satisfied with nothing less. This act is a challenge to the best brains and to the best experience in the Nation. They responded in the crises of war. I am sure they will respond in this crisis of peace. The cause is no less vital to our destiny.

Third. This act depends, again, for its success upon the prompt restoration of western Germany to an effective place in the economy of Europe and the world. It must be decentralized. It must be demilitarized for keeps. But it must be restored to decent hope and productivity. The western occupying powers must quit their indecision and put Germany whole-somely at work again without delay. The Ruhr alone could spell the difference between success and failure.

Fourth. This act depends also and equally upon the energy and devotion with which these western European nations pursue the integration which they have volunteered to seek. Our dollars cannot substitute, I say again, for their own will to make common cause for the mutual defense of their own welfare. We do not presume to dictate the formula. But we relentlessly recommend the objective. Standing together these nations can face every vicissitude with hope. Standing apart they may face collapse and even conquest. By its own warning, the wrecking crew awaits.

Fifth. This act seeks and depends upon peace. Peace requires the economic stabilities which are here addressed. Peace also depends upon security against aggression. Security depends upon preparedness. Preparedness depends upon rival arms until, dependably there is a better way. The better way is an undi-

vided United Nations which is made to work in its present or some other form. Regional arrangements under its charter can promote security. Unselfish mutual defense pacts, such as we have repeatedly offered, can promote security. Global disarmament—on a basis of rigid, instant, and conclusive discipline against bad faith is the best security guarantee of all. We and the peace-loving sectors of the world must struggle on toward these ideals.

Sixth. The act has the amazingly unified support, according to their official voices before our committee of practically all spokesmen in our own land for organized labor and capital and agriculture and industry, for veterans, for women's organizations, for American journalism and, by no means last, for the church. The friendly preponderance is overwhelming. I believe, Mr. President, that dynamic America is prepared to carry on.

Seventh. Whatever we are to do, Mr. President, let it be done without undue delay. Whatever our answer is to be, let it be made as swiftly as prudence will permit. The exposed frontiers of hazard move almost hourly to the west. Time is of the essence in this battle for peace, even as it is in the battles of a war. Nine months ago Czechoslovakia wanted to join western Europe in this great enterprise for stability and peace. Remember that. Today Czechoslovakia joins only such enterprise as Moscow may direct.

There is only one voice left in the world, Mr. President, which is competent to hearten the determination of the other nations and other peoples in western Europe to survive in their own choice of their own way of life. It is our voice. It is in part the Senate's voice. Surely we can all agree, whatever our shades of opinion, that the hour has struck for this voice to speak as soon as possible. I pray it speaks for weal and not for woe.

The committee has rewritten the bill to consolidate the wisdom shed upon the problem from many sources. It is the final product of 8 months of more intensive study by more devoted minds than I have ever known to concentrate upon any one objective in all my 20 years in Congress. It has its foes—some of whom compliment it by their transparent hatreds. But it has its friends—countless, prayerful friends not only at the hearthstones of America, but under many other flags. It is a plan for peace, stability, and freedom. As such, it involves the clear self-interest of the United States. It can be the turning point in history for 100 years to come. If it fails, we have done our final best. If it succeeds, our children and our children's children will call us blessed. May God grant His benediction upon the ultimate event. [Applause on the floor, Senators rising.]

Mr. WHERRY obtained the floor.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. WHERRY. I am glad to yield.

Mr. CONNALLY. Mr. President, the Senator from Michigan has delivered a very admirable address upon this subject, and has adequately covered it. I

expect to speak on the bill, but I shall defer my remarks until the debate somewhat develops. During the course of that development, I shall address the Senate with respect to the pending measure.

Mr. VANDENBERG. Mr. President, will the Senator yield to me for just a moment?

Mr. WHERRY. I yield.

Mr. VANDENBERG. Mr. President, with the indulgence of the Senator from Nebraska, I should like to make this suggestion to my colleagues: I am sure that despite any disagreements among us in respect to the terms of the act or the act itself, all of us are in agreement that the time has come for action, and I am sure we can have general cooperation to that end. To that end, therefore, Mr. President, I am taking the liberty of suggesting that it will tremendously facilitate events if those who contemplate offering amendments to the bill will have them promptly presented and printed, so that they may be before us for the earliest possible action when the debate lulls.

Mr. WHERRY. Mr. President, I wish to concur in the statement just made by the distinguished Senator from Michigan that time is of the essence, and therefore I humbly suggest that Members who may have amendments to offer, offer them as quickly as possible.

I feel that this bill is of such importance and is so momentous that we possibly would make time by now taking a recess until tomorrow. Unless there is some business which Members would like to have transacted at this time, I suggest that the Senate take a recess until tomorrow, if that meets with the approval of Senators.

In the meantime, let me state that it is the present plan, if it meets with the approval of the Senate, to have the Senate meet daily until the pending legislation is disposed of.

Mr. BARKLEY. Mr. President—

Mr. WHERRY. I yield to the distinguished minority leader.

Mr. BARKLEY. I would suggest that we have an executive session at this time, for the consideration of the nominations on the Executive Calendar.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Swanson, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 1796) to provide for the preservation of the frigate *Constellation* and to authorize the disposition of certain replaced parts of such vessel as souvenirs, and for other purposes.

The message also announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5525) making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1948, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 1 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENTS

Intended to be proposed by Mr. FULBRIGHT to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz:

1 On page 3, line 2, after the word "cooperation" insert
2 "and political unification".

3 On page 3, line 4, after the words "United States"
4 insert "to encourage the political unification of Europe,".

AMENDMENTS

Intended to be proposed by Mr. FULBRIGHT to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 1 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued March 3, 1948
For actions of March 2, 1948
80th-2nd, No. 39

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HIGHLIGHTS: Senate debated ERP bill. Rep. Reed, Ill., claimed aid to Europe and Government purchasing cause high prices.

SENATE

1. **EUROPEAN RECOVERY PROGRAM.** Continued debate on S. 2202, the ERP bill (pp. 2028-53).
2. **EMPLOYMENT.** The Labor and Public Welfare Committee submitted a report (S. Rept. 951) on S. 984, to prohibit discrimination in employment because of race, religion, color, national origin, or ancestry (p. 2024).
3. **FOREST LANDS.** Concurred in the House amendments to S. 1698, to define the exterior boundary of the Uintah and Ouray Indian Reservation, Utah (p. 2027). This bill will now be sent to the President.

HOUSE

4. **PRICES.** Rep. Reed, Ill., claimed that continued aid to Europe and Government trading in commodity markets are the cause of high prices (pp. 2080-1).
5. **RECLAMATION.** The Public Lands Committee ordered reported (but did not actually report) H.R. 4954, to authorize construction, operation and maintenance, under Federal reclamation laws, of the Kennewick division of the Yakima Project, Wash.; and S. 1990, to provide for continuation and completion of the Deer Creek and aqueduct divisions of the Provo River project, Utah (p. D186).
Received from the Interior Department the Fourth Annual Report of operations under the Fort Peck Project Act (p. 2081).
6. **FLOOD CONTROL.** Received from the Army Department reports of the preliminary examinations and surveys of Beals Harbor, Maine (H.Doc. 553); channel from Buzzards Bay to Butternilk Bay, Mass. (H.Doc. 552); Reno Beach, Lucas County, Ohio (H.Doc. 554); and Cape Porpoise Harbor, Maine (H.Doc. 555) (p. 2081).

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BILLS INTRODUCED

7. MEAT INSPECTION. H.R. 5675, by Rep. Gillie, Ind., relating to the meat inspection service of the Department of Agriculture. To Agriculture Committee. (p. 2082.)
8. OLEOMARGARINE. H.R. 5671, by Rep. Youngblood, Mich., and H.R. 5672, by Rep. Fletcher, Calif., to repeal the tax on oleomargarine. To Agriculture Committee. (p. 2082.)
9. WILDLIFE. H.R. 5668, by Del. Bartlett, Alaska, to amend Sec. 3 of the act entitled, "An Act to revise the Alaska Game Law." To Public Lands Committee. (p. 2082.)
10. ALASKA STATEHOOD. H.R. 5666, by Del. Bartlett, Alaska, to provide for the admission of Alaska, the forty-ninth State. To Public Lands Committee. (p. 2082.)
11. TRANSPORTATION. H.J.Res. 338, by Rep. Weichel, Ohio, to authorize vessels of Canadian registry to transport iron ore between U.S. ports on the Great Lakes during the period from Mar. 15 to Dec. 15, 1948. To Merchant Marine and Fisheries Committee. (p. 2082.)
12. PUBLIC WORKS. H. R. 5674, by Rep. Donohue, Mass., to enable States and their agencies and political subdivisions to plan for the construction of public works. To Public Works Committee. (p. 2082.)

ITEMS IN APPENDIX

13. SOIL CONSERVATION. Rep. Jensen, Iowa, inserted his recent address before the National Convention of Soil Conservation District Commissioners, "Soil Conservation Cannot be Postponed," in which he lists 13 reasons why he believes his bill, H.R. 4417, which provides for the coordination of soil conservation work, would be beneficial (pp. A1350-2).
14. WATER UTILIZATION. Rep. Poulson, Calif., inserted a Los Angeles Daily News editorial urging settlement of the interstate dispute over rights to the water of the Colorado River (p. A1346); and an advertisement from Los Angeles papers claiming that a water shortage is imminent in Calif. unless agreement is reached for Colorado River water (p. A1349).
15. FEDERAL AID. Rep. Kefauver, Tenn., inserted his recent address before the National Conference on Government of the National Municipal League on the relationship between cities and the Federal Government (pp. A1344-6).
16. FOREIGN TRADE. Rep. Buchanan, Pa., inserted a N.Y. Times editorial favoring the continuation of reciprocal trade agreements (pp. A1352-3).
17. INFLATION. Rep. Reed, N.Y., inserted a survey on the effect of inflation on endowed educational institutions, charitable organizations, and hospitals (pp. A1355-8).
18. ADMINISTRATIVE PROCEDURE. Rep. Holifield, Calif., inserted a National Society of Public Accountants article opposing H.R. 2657, the proposed Administrative Practitioners Act, which would establish a credentials committee to register and examine the qualifications of persons who practice before Government agencies (pp. A1335-6).
19. ST. LAWRENCE SEAWAY. Rep. Kilburn, N.Y., inserted a Watertown (N.Y.) Times ar-

we doubt that the Case antilynching bill would add in any way to the safety of citizens.

This measure, which is about to be pushed through the House of Representatives would transfer to the Federal courts the prosecution of lynchers and of local officials failing to protect prisoners or to move against mobs after a lynching has occurred. But trials would still be held before local juries, and it is probable that resentment against Federal intervention would complicate instead of easing the problem of securing convictions of accused mobsters. To be sure, there is another provision in the Case bill making every county, town, and other governmental subdivision responsible for any lynching in its jurisdiction. But this resort to the despicable doctrine of mass guilt because of the area in which one happens to live is so repugnant to democratic principles as to make the bill unpalatable to thousands who are devoted to civil rights in the North as well as the South.

We cannot help thinking that this vote-catching venture has no place in the present session of Congress. Its effect is to arouse animosities at a time when there is urgent need for national unity. The lynching menace has already been put down, and we trust that the last vestige of it will soon disappear. Our problem today is the rise of a tyranny that seeks to destroy all civil rights, whether protected by State or Federal law. In the face of that menace we need to be mobilizing our strength—not to be opening old sores or frittering away energies on problems that have already been solved.

Mr. STEWART. Mr. President, it had been my purpose to place in the CONGRESSIONAL RECORD the editorial from the Washington Post dealing with the antilynching bill, which has just been read by the senior Senator from Louisiana [Mr. OVERTON]. I wish to add to the reading of the editorial by the Senator from Louisiana that it is one of the most timely and thoroughly sensible editorials dealing with the subject in question I have ever seen. I believe it expresses the feeling of most of the people of the country, which is that when the subject of antilynching is brought up we are in reality dealing with a subject which is now utterly unnecessary to be dealt with, because the people of the South are solving among themselves the racial question in a fine and high-class manner.

The men and women of both races in the Southern States are reaching an understanding which is being improved day by day. There is no need for any antilynching bill or any of the other so-called civil-rights legislation at this or any other session of Congress.

I commend the Senator from Louisiana for placing the editorial in the RECORD, and say that it is thought-provoking, and I hope every Member of the Congress will read it.

BOUNDARY OF UINTAH AND OURAY INDIAN RESERVATION IN UTAH

The PRESIDING OFFICER (Mr. Ives in the chair) laid before the Senate the amendments of the House of Representatives to the bill (S. 1698) to define the exterior boundary of the Uintah and Ouray Indian Reservation in the State of Utah, and for other purposes, which were, on page 13, to strike out lines 5 to 8, inclusive, and insert:

The foregoing reservation shall not extend to or include deposits of uranium, thorium,

and other materials reserved to the United States by section 5 (b) 7 of the Atomic Energy Act of 1946 (60 Stat. 755, 762), and shall include surface rights only in lands withdrawn by Executive Order No. 5327, dated April 15, 1930, as interpreted by Circular No. 1220, dated June 9, 1930 (53 I. D. 127), and more particularly described in a letter dated April 22, 1931, addressed to the register, Salt Lake City, Utah, by the Commissioner of the General Land Office.

On page 15, line 13, after "value", to insert a comma and "as determined by the Secretary of the Interior,"; on page 15, strike out lines 22 to 25, inclusive, and on page 16 strike out lines 1 to 3, inclusive, and insert:

Any funds now or hereafter on deposit in the United States Treasury to the credit of the Ute Indian Tribe of the Uintah and Ouray Reservation, Utah, are hereby made available, and with the consent of the Uintah and Ouray Tribal Business Committee, may be expended for the purchase of privately owned and State-owned lands, including the improvements thereon, and improvements heretofore placed on public lands, together with water rights and water holes, within said boundary. The title to lands purchased under this authorization may, in the discretion of the Secretary of the Interior, be taken for the surface only. Title to any lands and rights acquired hereunder shall be taken in the name of the United States in trust for the Ute Indian Tribe of the Uintah and Ouray Reservation, Utah, and such lands or rights shall be exempt from State or local taxation.

SEC. 4. In any suit now pending or hereafter brought against the United States by the Ute Indian Tribe of the Uintah and Ouray Reservation, or by any one or more of the separate bands comprising said Ute Indian Tribe of the Uintah and Ouray Reservation, in the Court of Claims, the Indian Claims Commission or before any other tribunal, the United States may claim, as an offset against any judgment recovered therein, the fair market value as of the date of this act of any interest in public lands conveyed by section 1 hereof, and any improvements thereon, and the fair market value as of the date of the transfer of title of the lands and improvements which may be relinquished by the State of Utah to the United States under section 3 of this act. The validity and amount of any such claim shall be determined by the court, commission, or tribunal in conformity with the provisions of section 2 of the act of August 13, 1946 (60 Stat. 1049, 1050).

Mr. WATKINS. I move that the Senate concur in the amendments of the House.

The motion was agreed to.

PRESERVATION OF FRIGATE "CONSTELLATION"—CONFERENCE REPORT

Mr. SALTONSTALL. Mr. President, I submit a conference report on Senate bill 1796, providing for the preservation of the frigate *Constellation*, and I ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. The conference report will be read.

The Chief Clerk read the conference report, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1796) to provide for the preservation of the frigate *Constellation* and to authorize the disposition of certain replaced parts of such

vessel as souvenirs, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House, and agree to the same with an amendment as follows: In lieu of the matter inserted by the House amendment insert the following: "That the Secretary of the Navy is hereby authorized to repair, equip, and restore the frigate *Constellation*, as far as may be practicable, to her original condition, but not for active service, and to accept and use any donations or contributions which may be offered for the aforesaid purpose. Except so far as is necessary to incur expense to carry out the provisions of section 2 of this Act, no action shall be taken to repair, equip, or restore such frigate until the Department of the Navy shall have received by donation, or contribution, or by sales made pursuant to section 2 of this Act, a sum not less than 75 per centum of the estimated cost of said restoration as certified by the Secretary of the Navy. The Secretary's certification will include the cost of all repairs and equipment, and will exclude the pay and allowances of naval officers and enlisted men engaged in the restoration.

"SEC. 2. The Secretary of the Navy is hereby further authorized to give or to sell, under such regulations as he may prescribe, such parts or pieces, including rigging, of the frigate *Constellation*, as are suitable for use as relics, souvenirs, or mementos, and which cannot profitably or advantageously be used in restoring this vessel to original condition, to clubs, associations, or individuals making donations or contributions for the restoration of the frigate *Constellation*. The cost of converting the aforesaid material into relics, souvenirs, or mementos shall be charged against, and the proceeds of such sales shall be added to, the fund created by authority of this Act."

And the House agree to the same.

LEVERETT SALTONSTALL,
RAYMOND E. BALDWIN,
HARRY FLOOD BYRD,

Managers on the Part of the Senate.

WALTER G. ANDREWS,
W. STERLING COLE,
CARL VINSON,

Managers on the Part of the House.

The PRESIDING OFFICER. Is there objection to the present consideration of the conference report?

There being no objection, the report was considered and agreed to.

ORDER OF BUSINESS

Mr. WHERRY. Mr. President, may I inquire of the present occupant of the chair what is the business before the Senate?

The PRESIDING OFFICER (Mr. Ives in the chair). The business before the Senate is the consideration of Senate bill 2202, the European recovery measure, which is now open to amendment.

Mr. WHERRY. Mr. President, before suggesting the absence of a quorum, I should like to state for the information of the Senate that it is the intention, after a roll call shall have been had to establish the presence of a quorum, to ask that, as in executive session, the Senate proceed to the consideration of nominations on the Executive Calendar.

I now suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Hatch	O'Connor
Ball	Hawkes	O'Daniel
Barkley	Hayden	O'Mahoney
Brewster	Hickenlooper	Overton
Bricker	Hill	Pepper
Bridges	Hoey	Reed
Brooks	Holland	Revercomb
Buck	Ives	Robertson, Va.
Bushfield	Johnson, Colo.	Robertson, Wyo.
Butler	Johnston, S. C.	Russell
Byrd	Kem	Saltonstall
Cain	Kilgore	Smith
Capper	Knowland	Sparkman
Chavez	Langer	Stennis
Connally	Lodge	Stewart
Cooper	Lucas	Taft
Cordon	McCarran	Taylor
Donnell	McCarthy	Thomas, Utah
Downey	McClellan	Thye
Dworshak	McFarland	Tobey
Eastland	McGrath	Umstead
Eaton	McKellar	Vandenberg
Ellender	McMahon	Watkins
Ferguson	Malone	Wherry
Flanders	Martin	Wiley
Fulbright	Millikin	Williams
George	Morse	Wilson
Green	Murray	Young
Gurney	Myers	

Mr. WHERRY. I announce that the Senator from Indiana [Mr. CAPEHART] is absent by leave of the Senate on official committee business.

The Senator from Connecticut [Mr. BALDWIN] is necessarily absent in the State.

The Senator from Indiana [Mr. JENNER] and the Senator from Oregon [Mr. MORSE] are necessarily absent.

Mr. LUCAS. I announce that the Senator from Maryland [Mr. TYDINGS] is absent because of illness.

The Senator from Washington [Mr. MAGNUSON] and the Senator from Oklahoma [Mr. THOMAS] are absent by leave of the Senate.

The Senator from South Carolina [Mr. MAYBANK] is absent on public business.

The Senator from New York [Mr. WAGNER] is necessarily absent.

The PRESIDING OFFICER. Eighty-six Senators have answered to their names. A quorum is present.

CONSIDERATION OF NOMINATIONS ON THE EXECUTIVE CALENDAR

Mr. WHERRY. Mr. President, as in executive session, I ask unanimous consent for the present consideration of the nominations on the Executive Calendar.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Nebraska? The Chair hears none, and it is so ordered. The clerk will proceed to state the nominations on the executive calendar.

NATIONAL MEDIATION BOARD

The legislative clerk read the nomination of John Thad Scott, Jr., to be a member of the National Mediation Board, which nomination had been previously passed over.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

RECONSTRUCTION FINANCE CORPORATION

The legislative clerk read the nomination of Harvey Jones Gunderson to be a member of the Board of Directors of the Reconstruction Finance Corporation, which nomination had been previously passed over.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Henry T. Bodman to be a member of the Board of Directors of the Reconstruction Finance Corporation, which nomination had been previously passed over.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Henry A. Mulligan to be a member of the Board of Directors of the Reconstruction Finance Corporation, which nomination had been previously passed over.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of John D. Goodloe to be a member of the Board of Directors of the Reconstruction Finance Corporation, which nomination had been previously passed over.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of Harley Hise to be a member of the Board of Directors of the Reconstruction Finance Corporation, which nomination had been previously passed over.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY

The legislative clerk read the nomination of Richard R. Atkinson to be a member of the District of Columbia Redevelopment Land Agency.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA

The legislative clerk read the nomination of Harold M. Stephens to be Chief Justice of the United States Court of Appeals for the District of Columbia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

The legislative clerk read the nomination of James M. Proctor to be an associate justice of the United States Court of Appeals for the District of Columbia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

UNITED STATES ATTORNEY

The legislative clerk read the nomination of Leslie E. Given to be United States attorney for the southern district of West Virginia.

The PRESIDING OFFICER. Without objection, the nomination is confirmed.

That completes the Executive Calendar.

Mr. WHERRY. I ask unanimous consent that the President be immediately notified of all nominations confirmed this day.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. McMAHON. Mr. President, I submit an amendment to Senate bill 2202, the so-called European recovery bill. I propose to address the Senate at a later time on the amendment.

The PRESIDING OFFICER. The amendment will be printed and lie on the table.

Mr. McMAHON. I should like briefly to invite the attention of the Senate to the amendment, so that it may be considered by Senators before it is acted upon.

The amendment provides for the undertaking by the participating countries, in their agreements to join the plan, that they shall agree that there shall not be exported from their countries anything that we prohibit by law from being exported from this country, either by agreement of the Secretary of State, the Chairman of the Atomic Energy Commission, and the Secretary of National Defense or, (2) which is prohibited by any law of the United States.

Back in the 1930's we shipped scrap and oil to the Japanese, and at Pearl Harbor we got them back with dividends. Those shipments could have been defended, I suppose, as being somewhat in the nature of sensible appeasement, because thereby we did buy time. However, we must see to it, it seems to me, that there shall not be shipped out of the countries we are proposing to help anything that can be used to bring about our own destruction. In other words, we should not be required to finance what might be used to destroy us.

As I have said, Mr. President, I shall develop the theme at greater length in a few days, but I wanted the Senate to be aware of the amendment and to be considering it.

Mr. WHERRY. Mr. President, will the Senator yield for a question?

Mr. McMAHON. I yield.

Mr. WHERRY. Does the amendment provide for the definition of the materials to which the Senator from Connecticut has referred?

Mr. McMAHON. In the Atomic Energy Act, sometimes called by the name of its author, the senior Senator from Connecticut, there is a provision permitting the Commission to bar the export of articles that could be useful in the making of plants for the production of fissionable materials. Of course, if we are going to bar our own manufacturers from exporting to other countries certain things which could be useful in bringing about the production of atomic bombs—which of course we had to do—it goes without saying that we should not finance the manufacture and export of those articles from other countries to still

other countries that might use them to destroy us.

Mr. WHERRY. I understand.

Mr. President, it is my understanding that on the side of the proponents of the measure no Member of the Senate is ready to proceed with a further discussion of this proposed legislation today.

Mr. VANDENBERG. Mr. President, the proponents of the measure are ready and anxious to proceed. I hardly feel under any sort of compulsion to provide an intervening program which would postpone a vote. I would be most happy to have any Senator who desires to discuss the matter take the floor.

It occurs to me that since we do have a meeting of minds, I think I am sure the Senator from Nebraska agrees with me that we should expedite the consideration of this measure to the last possible degree. I know the Senator agrees as to that.

Therefore, it seems to me that expedition recommends the submission of amendments immediately, so that we may proceed to work on them, because it is through the medium of amendments that we can develop whatever controversy remains in respect to the text of the bill, barring that basic controversy which is prepared to deny the bill in toto.

I beg of Senators that, whatever their ultimate attitude may be, they present amendments promptly, having that situation in mind.

Mr. WHERRY. Mr. President, let me suggest to the distinguished Senator that, so far, the prospects for the further consideration of this measure indicate that we should proceed, I suppose, to hear from Senators who wish to ask questions relative to any phase of the bill. The only amendments which have been submitted so far are those which have been presented by the able Senator from Arkansas [Mr. FULBRIGHT] and the able Senator from Connecticut [Mr. McMAHON]. I understand that others are to be submitted, but not until tomorrow or following tomorrow. I am not sure, but I believe some will be ready then.

However, I have announced that I agree with the Senator from Michigan in toto relative to having the Senate meet every day for the consideration of this proposed legislation and proceed each day as late as the Senate feels it should proceed.

I should like to say to the distinguished Senator that I have contacted several Members who I thought would be interested in speaking on the bill, but apparently none is ready to make a speech this afternoon. Of course, that situation may change before the afternoon is over.

So, Mr. President, if the distinguished Senator from Michigan does not mind having me do so, I shall be glad to ask a few questions at this time. I have an open mind, as usual, on these important matters; and so I should like to inquire into some phases of them, if the Senator from Michigan will be kind enough to answer the questions I propose to ask, in the hope of thus making good use of this time, which I think is vital, by elucidating any problems which may be connected with the bill and seeing whether we can proceed during the remainder of the afternoon and on into tomorrow in the

hope that an early disposition of the proposed legislation may be had.

Mr. VANDENBERG. Mr. President, I shall be glad to respond, in any degree I can, to any questions the Senator has in mind. It will seem more like home if the Senator will begin.

Mr. WHERRY. First, I should like to pay my profound respects to the distinguished Senator from Michigan for the very able presentation of this subject he made yesterday. Personally, I feel that although time is of the essence in connection with the consideration of this momentous piece of legislation, yet also time should be given to those who may feel that amendments should be offered, or even for studying such a comprehensive plan as this, so that no mistake will be made, if possible, in the future. I think the Senator from Michigan will agree with me that in the past, mistakes have been made in respect to our foreign policy; and certainly we do not want mistakes to be made in the future.

With that in mind, I should like to ask this question of the Senator: Why is it that there has to be a 4-year program? Why could not the Senate of the United States reduce the time from 4 years to 1 year? I understand there is much force to the argument, presented yesterday by the distinguished Senator from Michigan, that certainly if we are to go into this subject, it should be gone into with a program that has continuity, and that we shall have not only the Administrator but the watchdog committee at all times to check on the progress being made in connection with the program. Yet I submit to the Senator that a continuous program for 4 years certainly is in direct contradiction to the traditions of this country as to entering into alliances with foreign countries.

Let me humbly submit this question to the Senator: Why could not the Senate of the United States approve this program, in whatever amount the Senate might decide, on a yearly basis, in view of the fact that it is not the province of one Congress to bind succeeding Congresses? In asking this question, I have the definite feeling that if the program is successful in its first year, there will be no hesitancy at all on the part of Congress in appropriating for a second year.

Mr. VANDENBERG. Mr. President, there is very little I can add to what I said yesterday upon that basic question. If we are to deal with this problem solely on the basis of 1 year, I consider in advance that our efforts will be a total failure, because if at the end of a year the program does not justify the continuation contemplated, then it has failed in its infancy, and does not deserve to grow up.

Under the terms of the bill, every Congress—even broader, every session of every Congress—is a free agent to pass its own judgment on the question of whether or not foreign cooperation is justifying the basis upon which the enterprise was launched. If we are to say in advance that we are not interested beyond 1 year, then it seems to me we shall have said in advance that we are again

dealing with a relief bill and not with a reconstruction program. I do not believe that any Senator, including the Senator from Nebraska, wants to deal any longer with European problems on a year-to-year stopgap-relief basis; I certainly do not.

The Senator is on completely sound ground when he says that one Congress cannot bind another. The report of the Foreign Relations Committee has specifically taken that situation into account, and has met it fairly and squarely. It has shortened the period of the first authorization of an appropriation in order to bring the whole subject into the earliest possible congressional review, to wit, next January. Next January the Congress will be as free as the air to do what it pleases in respect to what has happened during the intervening months, and in respect to what may happen in the days that lie beyond that point. The Congress will be an absolutely free agent, confronting only the original contemplation that if our friends abroad live up to the hard agreements they are to make with us with respect to their own self-help and their own achievements, if they have justified a continuation of our confidence and cooperation, they are entitled to receive them. The only thing in the world that the Senator from Nebraska, if and when he votes for the bill, will have said to future Congresses is that we have taken up this question on the basis of 8 months of study, which contemplates that in 4¼ years, if the commitments of our friends abroad are carried out, there will be a reasonable chance of a restored western European economy, including western Germany. All in the world he will have said to future Congresses is that on the basis of the prospectus, which has been studied to a degree, I venture to assert, beyond any studies previously given to any problem ever confronting the Congress, and on the basis of those studies, it is the opinion of this Congress that if the beneficiaries of the measure live up to the hard and fast agreements they will make, it is the opinion of this Congress that future Congresses should carry on, leaving to future Congresses complete freedom of action to determine whether the beneficiary countries have lived up to their agreements, and to what extent the plans should proceed, and a free determination as to what from year to year shall be the subsequent progress.

I say to my friend from Nebraska that I know he wants us to say to the beneficiary countries as definitely and specifically as we can that the continuity of our aid depends upon the continuity of their cooperation, their self-help, their coordination, their effectiveness in helping themselves to put themselves upon their own feet. I know my friend wants us to write the bilateral contracts with the beneficiary countries on that basis. If we write them on that basis—and the bill certainly is written on that basis—I respectfully submit that there is such a thing as reciprocity in good will and cooperation, and they are entitled to say to us, "If we live up to our agreements, if we are on our way to self-

stabilization, we want to believe that you will be prepared to proceed with us to the ultimate goal which we both have undertaken to reach." I submit that there is no obligation involved in the language of this bill which is not inherent in mutual fair play, and that if we are to expect our friends abroad to live up to the promises we are exacting from them, they have a right at least to the rather general prospectus which is here involved through the mere authorization of such subsequent appropriations as at each subsequent Congress shall be decided by each subsequent Congress is justified by the realities and the facts.

Mr. WHERRY. Mr. President, if the distinguished Senator will permit, I should like to state that in the main I can agree that if there is to be a program to rehabilitate western Europe, its continuity probably will measure its success. I think that is indisputable. I can agree entirely with the argument presented by the distinguished Senator. Still, that does not answer my question. This Congress cannot bind a succeeding Congress. We all agree on that. The only way in the world that appropriations for this purpose can be stopped, at least upon any moral grounds, is by negative action. If the proposed legislation is passed, we agree that we shall go into the program until 1952; there is no doubt about that.

Mr. VANDENBERG. Upon what basis do we agree to go into it until 1952?

Mr. WHERRY. On condition that beneficiary countries carry out their undertakings. I agree to that, certainly. We have a watchdog, as I have already mentioned. Sometimes the watchdog is a good watchdog; sometimes it is not a good watchdog. It depends entirely, I think, upon the administration of the act. I agree with the distinguished Senator that the success of the program in the final analysis depends upon who is selected to administer it. Am I correct in that?

Mr. VANDENBERG. I tried to say that in words of one syllable yesterday.

Mr. WHERRY. Yes, I understood from the Senator's remarks that he could not guarantee the program under any consideration, that no matter how many conditions were imposed, if the program were to succeed its success depended on the Administrator. The Administrator is to be appointed by the President. Yesterday, the Senator delivered the finest speech he has ever delivered. It was eloquent, and all agree that it was a great speech. In that speech the Senator prayed that the President would select an Administrator who could discharge, in a satisfactory manner, the responsibilities imposed upon him under the act.

Mr. KNOWLAND. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from California?

Mr. WHERRY. I shall yield, if I may finish with observation. I want to point out to the Senator from Michigan that during the past 2 years, and even since VJ-day, the administration has appointed in the Department of State ad-

ministrators of legislation who, to my mind, have demonstrated total inability to administer our foreign policy. The distinguished Senator mentioned in support of the program that such distinguished men as Dean Acheson have testified in its behalf, stating that in their opinion it was the solution to the European situation. The same Dean Acheson testified in support of the International bank, he testified regarding Bretton Woods. He testified to the Morgenthau plan, and he is the man whom the administration selected to carry it out. He also signed the International Aviation Agreements in Chicago, which agreements had to be repudiated by the Senate. In fact, if there is one man in the United States whose judgment I should not want to follow, it is Dean Acheson, whom the distinguished Senator suggests as one of the men who supported this measure. If he should be the administrator of the act, some of us would feel that its administration would be similar to the administration of another plan during the past 2 years, in connection with which more than \$20,000,000,000 have been expended, and conditions are worse today than they were originally. The Morgenthau plan is out the window and Mr. Acheson is out of the Government, and I think that is a good thing.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WHERRY. I agreed to yield to the Senator from California, but I yield to the Senator from Michigan.

Mr. VANDENBERG. Assenting completely to the Senator's estimate of the services to the country rendered by Mr. Acheson, I fail to understand why I have precipitated this storm of denunciation, because I never mentioned Dean Acheson, either directly or indirectly, in anything I said on this subject.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. WHERRY. In a moment. Yesterday in the presentation of the great argument submitted by the distinguished Senator from Michigan one of the first witnesses he mentioned who had been called to testify was Dean Acheson.

Mr. VANDENBERG. I am sorry, but the Senator is greatly mistaken.

Mr. WHERRY. I will get the RECORD, and I think I can show the Senator that he mentioned the name of Mr. Acheson.

Mr. VANDENBERG. We shall look it up later.

Mr. WHERRY. Is it Aichison or Acheson?

Mr. VANDENBERG. Neither one was a witness. [Laughter.]

Mr. WHERRY. Then the committee heard Mr. Harriman. I suppose he has had great experience.

Mr. VANDENBERG. Mr. Acheson was not even a witness before the committee.

Mr. KNOWLAND. Mr. President, will the Senator yield for a moment?

Mr. WHERRY. I yield.

Mr. KNOWLAND. Mr. President, I wish to send to the desk an amendment to the pending bill for the consideration of the Senate, and make a few remarks on the subject.

The PRESIDING OFFICER. Does the Senator desire that it be printed and lie on the table?

Mr. KNOWLAND. I do.

The PRESIDING OFFICER. Without objection, the amendment will be received, printed, and lie on the table.

Mr. KNOWLAND. It is a very short amendment. First, I want to call to the attention of the Senate and of the Senators who are present the CONGRESSIONAL RECORD of yesterday, at page 1988, in which I placed a letter which I had written to the Secretary of Commerce, Mr. Harriman, a copy of the reply from Mr. Foster, the Acting Secretary, and a table which had been supplied me at my request, relative to the exports from the United States to Russia, and imports from Russia to this country.

The amendment which I have offered reads as follows:

On page 22, after line 20, insert a new subsection as follows:

"(d) No commodity shall be exported from the United States, its Territories or possessions, to any European country (including portions thereof located outside of Europe) which is not a participating country, if the Administrator shall have determined that the supply of such commodity available for procurement and transfer under this act is insufficient (or would be insufficient if such export were permitted) to fulfill the requirements under this act of participating countries."

Mr. President, if the Members of the Senate will turn to page 1989 of the RECORD they will see a considerable list of exports which have gone from the United States to the Union of Soviet Socialist Republics. It is broken down into categories and also by months. I call the attention of the Senate to the subheading "Machinery and vehicles." The items under that subheading include generators, accessories, and parts; welding sets; generating sets, powered by Diesel engines; batteries; transforming or converting apparatus; transmission and distribution apparatus; motors, starters, and controllers; industrial heat-treating furnaces and parts; radio apparatus; other electrical machinery and apparatus; steam locomotives; internal-combustion engines, excluding locomotives; accessories and parts for internal-combustion engines; construction and conveying machinery; mining, well, and pumping machinery; power-driven metal-working machine tools and parts; metal-working machines, and parts, including power-driven; air compressors; pipe valves; other industrial machinery; tractors and parts; other agricultural machinery and implements; motor-trucks, busses, and chassis (new); station, warehouse, and factory trucks; automobile parts for replacement; other automobiles, parts, and accessories; aircraft parts and components; merchant vessels; freight cars over 10-ton capacity; and other machinery and vehicles.

This is only a part of the list. Mr. President, I speak as one—

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. KNOWLAND. If the Senator will permit me to complete my thought, I speak as one who desires to commend the work of the Senate Foreign Relations

Committee. I think the members of that committee have made a great improvement over the originally suggested legislation. I think they are to be congratulated upon bringing a unanimous report to the Senate. I intend to support the \$5,300,000,000 proposal, together with substantially everything in the bill as reported. My only criticism is that we have not gone far enough. To me it does not make sense, at a time when we are attempting to keep western Europe from going behind the iron curtain, that this Government should permit to be exported to the one nation which is a threat to the peace of the world, material which I believe adds to its war potential and the exportation of which is detrimental to our own best interest.

It is true, Mr. President, that the Department of Commerce, as of March 1, put into effect certain regulations which apply to exports; but a regulation which has been established by the executive department could be rescinded by the executive department. At a time when the Congress of the United States is being called upon in the interests of the peace of the world and the national security of the Nation to make a substantial contribution to the rehabilitation of the war-torn world we have a right to expect that we will channel the basic essential equipment into those European nations which are participating in the program. None of it should go into the nations which are attempting to obstruct the program.

I think that the Congress ought frankly to look at the picture. There is nothing in my amendment which would prevent in the future any other nation in Europe which might become a participating and cooperating country from getting equipment. We certainly have a right to say that any who are not participating or cooperating shall make no further drain upon the resources of the people of the United States.

Mr. President, if this were the only inconsistency we had followed in the past, perhaps I should not be so alarmed as I am today. But I was in Europe last summer. I happened to get behind the iron curtain, into Poland, and into Czechoslovakia, at the time Czechoslovakia was relatively free. Shortly before that time Mr. Petkov, the leader of the opposition in Bulgaria, had been executed. We had sent a half dozen notes in protest of the execution of that democratic leader in Bulgaria. Yet what did our Government do? Within 10 days of the day that a rope had been put around Mr. Petkov's neck and he had been dropped from the gallows, this Government gave full recognition to the Government of Bulgaria. That is not a consistent policy, so far as I am concerned.

I was also in Germany. Although the Russian Government had time after time violated the Potsdam agreement, we continued to ship from the western zones of Germany into the eastern zones of Germany industrial equipment which would add to the war potential of Russia.

When we take those two things into consideration, plus the continual export from this country to Russia during the

whole year of 1947, it does not make sense to me.

I believe this amendment is a constructive amendment, and I hope it is an amendment which the able chairman of the Committee on Foreign Relations, after due consideration and deliberation, may be willing to accept.

In conclusion, I wish to repeat, Mr. President, what I have already stated, that I do not feel that we have gone far enough. I am willing to vote for the so-called Marshall plan, the European recovery plan, but I do not think we can rest on that alone. I believe the time has come when we must put the defenses of this country in first-class condition. That means having an air force in being, and not on blueprints.

Perhaps most of our people do not understand that in World War II there were no combat airplanes used in combat that had their original inception after Pearl Harbor. A long period of time elapses between the design stage and when the planes may be used wherever and whenever their use may be necessary.

I feel the same way about universal military training. I believe that this is also a necessary step in the national defense of the Nation. I personally believe that the Congress of the United States will be remiss in its duty if, in addition to the passage of the so-called European recovery program, we do not take immediate steps to put our own national defense house in order.

In the early days, when the pioneers went out from the east coast to the West, they went through a great many vicissitudes, but they had a pretty good philosophy. It was that they would continue to hope and to pray for peace, but they would keep their powder dry. I think we should do the same.

AUTHORIZATION FOR MEETING OF COMMITTEE ON FINANCE DURING SENATE SESSIONS

Mr. MILLIKIN. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. MILLIKIN. I inquire who has the floor.

The PRESIDING OFFICER. The Senator from California did have the floor, but no longer has it.

Mr. MILLIKIN. I ask unanimous consent that the Senate Committee on Finance be permitted, when it deems it necessary, to hold hearings in the afternoon.

Mr. BARKLEY. Reserving the right to object, Mr. President, I am not going to object at the moment, but I do not think the Senator should ask for permission to hold hearings in the afternoon over a period of days. I realize the importance of the hearings on the tax bill. I am a member of the Committee on Finance, and also a member of the Committee on Foreign Relations, as are the Senator from Texas [Mr. CONNALLY] and the Senator from Georgia [Mr. GEORGE]. Naturally, if we are to obtain information in regard to the tax bill, we would hope to be able to attend the hearings. Otherwise we would lose out alto-

gether, insofar as testimony heard in the afternoon was concerned. We know how difficult it is to take up the slack by reading testimony after it has been heard and printed.

I wish to make a comment which I hope will not be offensive to any Senator. I think the attendance in the Senate of the United States during this session has been the most meager I have observed since I have been a Member of the Senate. No matter how important the legislative proposal may be that is pending in the Senate, unless on a great day like yesterday, when the senior Senator from Michigan [Mr. VANDENBERG] delivered his masterly address on the European recovery program, we may look around in the Senate and find only a handful of Senators present. Day by day, in the last month or so, we have been giving consent that committees may hold hearings or sit during the session of the Senate. I realize the difficulty of holding hearings only in the morning, especially if there are many witnesses. But it seems to me that the place for Senators to be, when the Senate is in session, is on the floor of the Senate, not only that they may be here for the consideration of whatever is before the Senate, but in order that those who come here as our guests may not be completely disillusioned with respect to the procedure of the Senate of the United States, and the attendance of Senators on their duties.

It has so happened that two or three times important bills or resolutions have passed through the Senate when there were not more than half a dozen Senators on the floor, and it seems to me we should try to concentrate our efforts on the floor of the Senate when the Senate is in session.

Mr. President, this was one of the considerations we had in mind when we passed the Reorganization Act, and provided for the reduction of the number of committees, and the number of committees to which any Senator might belong. It was in order that Senators might give concentrated attention to the business on the floor of the Senate.

There has not been at this session, and will not be, a more important bill before the Senate than that now under consideration, involving a world situation and our involvement in that situation. It seems to me Senators should try to be present in the Senate not only when the bill itself is under consideration but when amendments are being considered, so that there may be a fair representation of the Senate on the floor when important legislation of this nature is being discussed.

Mr. President, these remarks may or may not be worth anything, but it has been a matter of common talk and common conversation on the floor of the Senate during this entire session, "What is the matter with the Senate? Where are Senators? Why can we not get them to attend the sessions of the Senate?" It has been a matter of great embarrassment on both sides, to those who are responsible for legislation, to look around

and see only one or two present in the Senate.

I do not intend to object to the pending request. I hope the Senator, however, will limit his request to the present day, and not make it cover the entire field of the hearings before the Committee on Finance.

Mr. MILLIKIN. Mr. President, it would be somewhat impractical to agree to such a limitation, because we have to schedule witnesses who come from out of town. I should like to say, for the Senator's information, that we plan to hear but one witness this afternoon. If we can progress even slightly tomorrow morning, we should not have an afternoon session. We will not have an afternoon session on Thursday. We will do the very best we can, for all the reasons which the Senator has so ably presented, not to have afternoon sessions, or, if we must have them, to limit them as closely as possible.

Mr. BARKLEY. Mr. President, still under my reservation, I wish to add that I appreciate what the Senator has said, and I am not going to object to his request, but I serve notice, in my individual capacity, that hereafter in the Senate, if similar requests on the part of other committees tend to break down the attendance of the Senate when we are considering important legislative proposals, I shall exercise my right to object.

Mr. CONNALLY. Mr. President, will the Senator from Colorado yield?

Mr. MILLIKIN. I yield.

Mr. CONNALLY. I concur in the comments of the Senator from Kentucky about the desirability of some of us who are members of both committees having an opportunity to attend the hearings before the Committee on Finance. The bill which is now the unfinished business is the most important measure we have had before us at this session. Three or four members of the Senate Committee on Finance on this side of the aisle are also members of the Committee on Foreign Relations. I feel practically compelled to remain in the Senate Chamber during all the debate on the bill and on amendments; it is my duty to the committee and to the Senate. I hope the Senator from Colorado will be lenient in asking for sessions of the committee in the afternoon. I am perfectly willing to attend hearings in the morning, and will not let anything interfere with my attendance, but I trust the Senator will be more or less charitable in arranging for hearings.

Mr. MILLIKIN. I reassure the Senator that we will use the privilege as sparingly as possible. I thoroughly appreciate the importance of the members of the Senate Committee on Finance who are also members of the Senate Committee on Foreign Relations being on the floor of the Senate. I may say that in accommodation to the importance of the pending bill we have done practically no business in the Senate Committee on Finance for a month in a spirit of constructive cooperation.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Colorado? The Chair hears none, and the order is entered.

Mr. WHERRY obtained the floor.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. FULBRIGHT. I merely wish to add one comment. I was very anxious to hear the opening address of the Senator from Michigan, but the Committee on the Judiciary was in session, and the committee could not be dismissed until a considerable time after the Senator from Michigan started. That is a very common occurrence. I wanted to be in both places, I may say to the Senator from Kentucky, and I tried to make a point of order, but I could not make a point of order because the chairman said he had permission to sit during the session of the Senate. That goes on day after day. But what can we do about it?

Mr. BARKLEY. I merely want to say that I am not criticizing Senators for making a choice between attending a session of a committee or the session of the Senate. I am saying that the practice of giving consent that Senate committees may hold hearings or have meetings while the Senate itself is in session has had a very bad effect on senatorial attendance upon the sessions of the Senate itself.

Mr. FULBRIGHT. I agree, Mr. President, but every time the subject has been discussed some Senator has announced that at some future time he is going to object to committee meetings being held while the Senate is in session, yet so far no Senator has actually objected to requests that committees may hold meetings while the Senate is in session.

Mr. BARKLEY. The Senator from Arkansas has the same right of objection that I have.

Mr. FULBRIGHT. I am not the leader of the minority, however.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Swanson, one of its reading clerks, announced that the House had passed without amendment the following bills of the Senate:

S. 535. An act for the relief of Adelbert E. Tuller;

S. 641. An act for the relief of Mrs. Roberta Flake Clayton;

S. 922. An act for the relief of Ruth Grossman;

S. 939. An act for the relief of Charles Howard Richards;

S. 970. An act for the relief of Mr. and Mrs. Harold T. Prosser;

S. 1031. An act for the relief of Antonio Zamora; Mrs. Antonio Zamora; Antonio Zamora, Jr.; Mrs. Juan Chavez; John Chavez, Jr.; Roland Chavez; Selso Trujillo; Dr. M. G. Wright; and the heirs of Keith Lane;

S. 1267. An act for the relief of Eleonore M. Hannon;

S. 1716. An act for the relief of Mrs. Iola Veach; and

S. 1721. An act conferring jurisdiction upon the United States District Court for the Western District of Washington to hear, determine, and render judgment upon any claim arising out of injuries sustained by G. R. Below, late of Seattle, Wash.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assist-

ance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. WHERRY. Mr. President, prior to the remarks made by the Senator from California I had asked the distinguished senior Senator from Michigan a question relative to the conclusions reached by the committee that the proposed legislation should not be on a yearly basis, but on the basis of 4 years and a quarter. During the colloquy I made the remark that the distinguished Senator from Michigan had suggested in his speech yesterday that the success of the measure primarily—and I agree with him—is left to an administrator. I said it seemed to me that if the plan were dealt with by Congress on a yearly basis, if the countries coming under it would perform as they should perform and could perform, there would not be any doubt that succeeding Congresses would continue to make the appropriations necessary to carry on the program.

At that point the question of who would be the administrator was raised, and it was my opinion then, as I stated, and it is now, that each succeeding Congress, if it had something to say respecting appropriations, and the way the plan should be carried on during the year for which the Congress acted, would not be obliged to countenance or continue in office an administrator who would not carry out a program which would result to the benefit not only of the beneficiary countries but to the United States at large.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. WHERRY. If the Senator will permit me to finish my observation, I shall be glad to yield to him.

At that point I offered evidence to support what has been done by the State Department since VE-day in Europe. I mentioned the name of Dean Acheson, and said to the distinguished Senator from Michigan that he was one of the persons whom the Senator had called as a witness, or, rather, whose words he had used in support of the proposed legislation. I said I was one of those who felt that the distinguished Mr. Dean Acheson was not an authority whom I would particularly care to accept respecting the need for the plan or by whom it should be administered, by reason of Mr. Acheson's work in the State Department since VE-day.

At that point the distinguished Senator from Michigan said that he had not mentioned Dean Acheson in his speech yesterday. I thought perhaps I had mis-spoken, had used the wrong name, had referred to some other Acheson, and the Senator said, "Well, take your choice." My answer is that I do not want either of them, whether "Acheson" or "Aitchison." In dealing with the legislation we have reports to read, we have analyses to study, we have the bill itself to study, we have all sorts of documents in connection with it to read, and opinions by various individuals are contained in the documents. I take the word of the distinguished Senator from Michigan that he did not mention Dean Acheson in his

speech. I will say that I found the name in the report on the bill. If Senators will turn to page 2 of the report submitted by the distinguished senior Senator from Michigan, in which is set forth the story of how the legislation came about, they will find these words:

The present legislation was anticipated by two addresses, one by Under Secretary of State Dean Acheson on May 8, 1947; the second by Secretary of State George C. Marshall on June 5, 1947, in which both indicated that the United States stood ready to consider how far she might be able to help Europe help herself on the road to recovery.

Then the report proceeds to quote at length what the two men referred to stated should be done. While, technically, the distinguished Senator from Michigan is correct, yet for the sake of the argument I presented it does not make any difference whether Dean Acheson's language was quoted on the floor or whether he testified or did not testify before the committee, or whether language he had otherwise used was included in the report.

I return to the original observation, Mr. President, which is that the success of the measure depends upon the administrator, and whether the administrator who is to be chosen is an efficient businessman who has had experience and who can make loans or grants upon a basis which will secure good results in western Europe. To me that is an entirely different proposition than to have continued in position to carry out the plan some of those who have operated and promoted and been responsible for the foreign policy we have had during the present administration. That is my point.

In view of that, Mr. President, I feel that if the plan were adopted and continued on an annual basis a succeeding Congress would not be embarrassed as it might be if we were now to authorize a continuing program for 4 years and 3 months. The only way a succeeding Congress could overcome the difficulty which might face them by way of taking action that might be necessary with respect to the plan would be to negative the action now proposed to be taken, or to repudiate what had already been done. I do not say I am right. I do not say I am wrong. I simply raise the point, as one who is interested in the program, and I asked the question in order to bring out the argument by the proponents as to why they wanted the plan to be established on a basis of 4 years and one quarter, when that is in direct contradiction to all congressional precedents. One Congress cannot bind a succeeding Congress, even though the first Congress may have authorized certain things. That is a point which is very pertinent to be considered in connection with the pending legislation. That is a fundamental matter. I think it should be considered in connection with the consideration of the legislation we are discussing.

Mr. President, in my State of Nebraska we built a capitol building. We think we have as fine a capitol building as there is in the United States. That is a subject of debate, of course, but I will say it is a splendid building. The build-

ing of that capitol was initiated by one legislature, and succeeding legislatures made annual appropriations for the work to be continued. The legislature which initiated the building did not try to bind any succeeding legislature with respect to appropriations for the construction of the building. The State of Nebraska has in its constitution a provision which I think it might be well for the Federal Legislature to study. That provision is that one legislature cannot bond the State for more than \$100,000. We have no bonded indebtedness in Nebraska. I do not propose to make what might be termed a chamber-of-commerce speech, but I will say that Nebraska is a good State in which to live if one is interested in the subject of taxes. Nebraska has no sales tax, no estate tax, no bonded indebtedness. The reason therefore is that one legislature cannot bind a succeeding legislature. That is the principle to which I am now directing the attention of the Senate. It is something to think about. I am not alone in this thought as I read the report. I would not want to mistake anyone else's name. Perhaps I am wrong about this. Already volumes have been written on this subject.

We talk about time being of the essence. This is a subject which ought to be discussed from A to Z and back again, because whatever is done will have a terrific impact on the United States as it attempts to take its place of leadership among the nations of the world. The question is, What is the best thing to do under the circumstances? As I say, I am perfectly open-minded. I have no idea at this time of offering an amendment restricting the program to 1 year; but I think for the record we ought to see more than a speech about the continuity of the program. It involves departing from tradition and precedent. It involves getting away entirely from the legal proposition that one Congress cannot bind another Congress in a program which is continuous.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. VANDENBERG. I have no quarrel with the Senator for emphasizing his point of view. My only quarrel with him is on the basis of his statement that we are violating precedent. On the contrary, the committee has amended the bill so as faithfully to follow the precedents. As the bill came to us from the Department it contained an authorization for 4½ years, calling for an expenditure of \$17,000,000,000. The first thing the chairman of the Senate Committee on Foreign Relations did, upon his own responsibility, was to notify the Secretary of State and the President that the \$17,000,000,000 figure had to go out of the bill, for the very reasons which the Senator from Nebraska indicates. Therefore there is no such figure, and there is no such commitment in the bill.

On the other hand, whenever Congress engages in a continuing operation of any character, there is a standard practice. Let us use for example the construction of a battleship, which requires 3 or 4 years, or let us use as an example a pub-

lic-building project which requires 3 or 4 years. To meet the precise situation which the Senator from Nebraska indicates, and the precise situation which the Senator from Michigan challenged in the first instance when the bill was written, the Congress follows a standard practice. What is the standard practice?

The standard practice is to make an authorization for the total project, reserving the right of appropriation, as is absolutely required by the Constitution, to each Congress upon its own responsibility. This program is precisely comparable. This is an over-all project, which is set up on the basis of four and a half years, just as it might require four and a half years to build a battleship. If we authorize the construction of a battleship, we appropriate from year to year to cover whatever expenditure is involved from year to year. There is no way in the world, even in the construction of a battleship, for one Congress to bind another. However, it can set down a project, and in standard practice it does, in precisely the fashion we have undertaken with respect to this bill.

So I submit to my able friend in all fairness—and I think he will agree with me—that in the first instance the chairman of the Senate Committee on Foreign Relations was in complete agreement with him, that we must make no effort to commit subsequent Congresses, because it would be futile, and therefore might lead to misunderstanding if we even attempted it.

Having met his point of view at that point, I submit that we have also met his point of view at the latter point, and that he is not entitled to say that we are violating all the precedents in this method of procedure by making general authorizations subject to annual congressional appropriation review.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. LODGE. Let me say to my able friend from Nebraska that there is ample precedent for making authorizations running over a period of years. The Senator from Michigan has referred to the construction of naval vessels. We make authorizations for river and harbor projects. We make authorizations for Federal road projects. We make authorizations regarding retirement. I do not know, but I presume that when the Nebraska State Capitol was authorized, it was probably contemplated that it could be completed in 1 year. I believe that, in order to have the sensible caution which we should have in this discussion, we ought not to consider the question solely from the viewpoint of our own experience in the United States. I think we ought to realize that in the past few weeks—I might almost say the past few days—Czechoslovakia has gone behind the iron curtain.

Mr. WHERRY. Mr. President, if I may interrupt the Senator, what would we have done if Czechoslovakia had been one of the 16 nations, and as such had gone behind the iron curtain? What would our responsibility have been if we had been operating under this program? What course could we take?

Mr. LODGE. That is the point I am trying to reach. In the past week we have seen Czechoslovakia go down. We are seeing Finland about to go down; and there is a strong possibility that Italy may fall a victim to the Russian fifth column known as the Communist Party. If those things happen, the type of action which we contemplate in this bill may not be anywhere near enough. I am not speaking in terms of dollars. We may face a situation in which dollars will not be enough to meet the situation.

With so much tragedy and crisis, and with so many somber threats in the air all over the world, it is somewhat out of proportion to talk about whether we can authorize something for 3 or 4 years, or whether we cannot. It is somewhat out of proportion to talk about whether the name is Acheson or Aitchison, because we are in an emergency situation in which we may not be able to take action like this and have it meet the needs of the situation.

Mr. WHERRY. Does the Senator think that the situation is as bad as that?

Mr. LODGE. It is very bad.

Mr. WHERRY. Does the Senator think we can accomplish anything by an economic program?

Mr. LODGE. I think we can still accomplish something by an economic program.

Mr. WHERRY. Does the Senator feel that we can avert the present situation by an economic program?

Mr. LODGE. In some places.

Mr. WHERRY. What would the Senator have done with respect to Czechoslovakia if this program had been in effect?

Mr. LODGE. We could not have done anything in Czechoslovakia, because Czechoslovakia is too close to the center of Russian military power. But there are other places where something can be done. I think we should realize that we are meeting in the shadow of a tremendous world emergency.

Mr. WHERRY. I am not a member of the Foreign Relations Committee.

Mr. LODGE. But the Senator can read the newspapers. He does not have to be a member of the Senate Committee on Foreign Relations to know what has happened.

Mr. WHERRY. Does the Senator believe everything he reads in the newspapers?

Mr. LODGE. I do not believe everything that appears in the newspapers; but I believe that the "snatch" has been put on Czechoslovakia. I believe that the "snatch" is about to be put on Finland.

Mr. WHERRY. And the "snatch" will be put on many other countries.

Mr. LODGE. I think it is very likely.

Mr. WHERRY. Then, what the Senator is telling the American people is that the situation is so bad that it might involve us in war. Is that what the Senator means?

Mr. LODGE. I think those things are all in the realm of possibility. I do not believe that any responsible statesman closes his eyes to that possibility.

Mr. WHERRY. Then why not tell the American people so?

Mr. CONNALLY. He has told them.

Mr. WHERRY. No one is telling them. The Foreign Relations Committee has not told me. There is nothing in the report which so indicates. We are led to believe that if we adopt the program we can give economic relief which will avert a war.

Mr. LODGE. I think we can give economic relief which will strengthen some of those countries materially, and be of great help. But I think the situation may develop in such a way that such action will not be sufficient.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. VANDENBERG. The Senator from Nebraska asked a question, and I think he is entitled to a direct answer. I agree entirely with what the Senator from Massachusetts has said, but he was not entirely responsive to the question asked by the Senator from Nebraska. As I understand, the question was, If Czechoslovakia had been one of the 16 countries when it went behind the curtain, what would have happened under the plan?

Mr. WHERRY. What can we do so far as Czechoslovakia is concerned? What can we do in the case of any other country?

Mr. VANDENBERG. I am about to answer the Senator's question. I invite attention to the following language of the bill on page 33:

The Administrator shall terminate the provision of assistance under this act to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 15, or is diverting from the purposes of this act assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this act or (2) because of changed conditions, assistance is no longer consistent with the national interest of the United States.

I submit that under clause (1), a beneficiary country which was the subject of conquest would be unable to live up to its contract, and would be totally unwilling to live up to it; and, second, it would represent something in the nature of a direct impact upon our national policy, and the assistance would summarily cease.

Mr. WHERRY. I think that is a satisfactory answer. Of course, we would have the right to withdraw the aid, and that country would be out of this sphere of influence, and would be behind the iron curtain.

Mr. VANDENBERG. Not only would we have the right to do that, but the Administrator is ordered to proceed accordingly.

Mr. WHERRY. All right.

Mr. President, let me ask another question: Are there any other obligations which we would owe that country, if it got into such a situation, under the program we are proposing for western Europe?

Mr. VANDENBERG. Is the Senator from Nebraska asking me whether, under this program, there are obligations which run beyond the text of the bill?

Mr. WHERRY. That is right.

Mr. VANDENBERG. I think the answer to that question, so far as the text of the bill is concerned, is that the obligations are literally and specifically confined to the economic considerations here involved. Beyond that point, and entirely aside from this bill or any other legislation, I think the Senator's question has to be answered by each man in his own conscience, depending on what his viewpoint is.

Mr. WHERRY. For instance, Mr. President, Finland comes to my mind. If there is any country in Europe that has been true to its obligations, it has been Finland. But now, without any aid or help from us, apparently Finland is going to be taken over by the Russian sphere of influence. It seems to me that if any nation in Europe is entitled to aid, it is Finland. Yet I doubt whether there is anything in the world we could do or the Finns could do, unless we were to have an outright break with Russia, to avert what is happening there.

So I ask, what is our responsibility? Is there a moral responsibility, outside this proposed legislation, upon which these countries can depend—not a military alliance set down in writing, but is there any responsibility of any sort that might be claimed by such a country in asking the United States to come to its rescue in the event it could not help itself under this economic program?

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. VANDENBERG. So far as Finland is concerned, first agreeing with everything the Senator from Nebraska has said about the character of the Finnish people and the record of the Republic of Finland, let me say that of course Finland is not included in this bill.

Mr. WHERRY. I understand that.

Mr. VANDENBERG. Finland was invited to join the CEEC countries. I have no doubt Finland would have loved to do so, but of course she was not permitted to.

If there is any moral responsibility on our part toward Finland—and personally I feel a very deep sense of responsibility toward Finland—whatever it is, it is outside of this debate. If there is any moral responsibility, it is outside the text of this bill.

But I wish to say to the Senator that I think there is a type of moral responsibility running through the entire world situation today, and I say to him now, as frankly and as humbly and as uncontroversially as I can, that I think the moral responsibility upon the Senate at this hour is almost beyond measurement, because, in my humble opinion, a failure to proceed with reasonable adequacy and reasonable promptness to offer our friends in western Europe some hope that they can successfully withstand the aggressor, would mean, I think, that we would confront a moral responsibility which I would not want to share.

Mr. WHERRY. That is right.

Mr. CAIN. Mr. President, will the Senator yield to me?

Mr. WHERRY. Yes; but first I have agreed to yield to the Senator from Texas. I yield to him now.

Mr. CONNALLY. Mr. President, the Senator has passed the point at which I really desired to intervene, which was on the question of the authorization and the annual appropriation.

Mr. WHERRY. Yes.

Mr. CONNALLY. The Senator said there was no precedent for that sort of procedure. Permit me to suggest to the Senator that we frequently authorize public works and authorize a program of public works extending over a long period of years. Yet the Congress makes the appropriations each year; and the Congress is free to continue the appropriation or to discontinue it, and of course the project has to abide the result.

Mr. WHERRY. Yes.

Mr. CONNALLY. In this case we have an authorization for a period of 4¼ years.

Mr. WHERRY. That is the point.

Mr. CONNALLY. But there is no commitment. There is absolutely no commitment.

Mr. WHERRY. The Senator means to say there is no continuing appropriation, I assume.

Mr. CONNALLY. No; I mean we shall have made an authorization, but we shall have made no commitment as to appropriations.

Mr. WHERRY. That is correct.

Mr. CONNALLY. Each year the particular foreign nations must have knowledge and take knowledge and accept knowledge of our constitutional system; and what is included in the bill indicates that we are not committed beyond its terms.

But what would be the sense of having each year of the 4 years—and we assume that the program will run 4 years—two fights over this matter? Each year, then, we would have to have a new authorization, and we would have to chew on that and debate it and fool around with it; and thereafter, following the annual authorization, we would have to bring in a new appropriation bill and would have to go all over the same ground again and again and again.

Those were the reasons which prompted the Committee on Foreign Relations to make provision for an authorization. After all, an authorization is simply a permission to Congress to appropriate or not to appropriate, as Congress may see fit to do. In a way it is to evade the parliamentary rule to the effect that before an appropriation can be made there must be an authorization for it.

Mr. WHERRY. Yes.

Mr. CONNALLY. That is frequently done. We have many continuing projects, extending over a period of years, and yet they are absolutely contingent upon annual appropriations.

In the Committee on Finance, I think it was yesterday, or perhaps today, there was a case involving such a situation. A certain program was in effect, but the President stopped it.

Mr. WHERRY. Does the Senator mean that the President stopped an appropriation?

Mr. CONNALLY. After the appropriation had been made the President

stopped the appropriation until a more convenient season, when more money would be available. He thought it was wise to cut it off. Those things happen all the time under our system.

I merely wished to state that in reply to some of the questions the Senator from Nebraska has raised.

Mr. WHERRY. I appreciate the reply which has been made by the Senator from Texas.

Of course, Mr. President, the bill does carry the authorization. I agree that under the bill there is no commitment for appropriations—not even as to the first year. Five billion three hundred million dollars is to be asked for, but that will have to pass the hurdle of the Appropriations Committee; will it not?

Mr. CONNALLY. The Senator is exactly correct. If we make this authorization, next week the Congress could refuse to make the appropriation, if it wished to do that.

Mr. WHERRY. Certainly. But the very point I make is proved by the argument of the Senator from Texas. In other words, once the authorization is made, there is an obligation to carry out the authorization; and the only way we could negative the action taken in making the authorization would be to fail to appropriate the money, or else, under the provisions of the bill itself, to vote to cut off aid from these countries.

Mr. CONNALLY. I do not agree at all that an authorization is a commitment. It is not a commitment. It is simply a permit to Congress to appropriate or not to appropriate, and Congress retains its sovereign power not to appropriate a cent under any authorization, unless it desires to make an appropriation. That is fundamental.

Mr. WHERRY. But the distinguished Senator from Texas will agree with me, I am sure, when I say that the authorization act is the legislation which sets up the program. Once it is made it is not necessary to return for further authorization, so far as the primary legislation is concerned. I agree with the Senator that it is not a commitment to appropriate either for this year, next year, the third year, or the fourth year. The Senator well knows that the moment an authorization is made the appropriations come to the committees in the House and Senate. The statement is made, "Congress has authorized this. It is for the Appropriations Committees to determine the amount of money that shall be appropriated." The Senator will agree with me on that. During my service on the Appropriations Committee time and time again the committee has attempted to withhold appropriations or to reduce appropriations. The argument that is always made is, "The Congress authorized it, therefore the committee is duty bound to carry out the act. The sole function of the Appropriations Committee is to determine the amount. The Appropriations Committee is foreclosed on the question of authorization, after it has once been made."

Mr. CONNALLY. No; the Senator from Nebraska is in error.

Mr. WHERRY. Of course, it can be repealed by way of repudiation.

Mr. CONNALLY. That may be the argument that is made, but neither the Senator from Nebraska nor any other Senator is compelled to follow that argument.

Mr. WHERRY. No; the committee may withhold the appropriation, but that is the same as repudiation of the act.

Mr. CONNALLY. If, through weakness, a member of the committee should yield to an argument of that kind, of course, he would support the appropriation.

Mr. WHERRY. Of course, when the distinguished Senator from Texas comes before the committee for an appropriation all the members of the committee probably become weak and yield, because the Senator will tell the committee it has been authorized and therefore the committee should make the appropriation.

Mr. CONNALLY. That is no answer.

Mr. WHERRY. I think it is a very good answer.

Mr. CONNALLY. It would not be true, if the appropriation were not authorized.

Mr. CAIN. Mr. President, will the Senator yield?

Mr. WHERRY. I yield to the Senator from Washington.

Mr. CAIN. I should like to address a question to the senior Senator from Michigan, if I may.

Mr. VANDENBERG. Yes, indeed.

Mr. CAIN. Several Senators, including myself, would be very grateful to the Senator from Michigan if he would enlarge upon the reasons for providing for a special representative abroad, and if the Senator would at the same time enlarge upon the statement of his duties. The report seems somewhat vague on that subject.

Mr. VANDENBERG. Is the Senator referring to what we colloquially describe as the "roving ambassador"?

Mr. CAIN. Yes.

Mr. VANDENBERG. I am very happy to answer the Senator's question.

Mr. CAIN. The subject is referred to on page 18 of the report, and on page 11 of the bill.

Mr. VANDENBERG. I am very happy to answer the Senator's question, because I think there must be some misunderstanding about the function and purpose of what I shall call the roving ambassador, for simple identification. I am sure there must be some misunderstanding, otherwise I should be unable to understand how there could be a desire to eliminate the provision. I remind the Senator first of all that while this is a bill which contemplates specific economic projects over yonder, many of them, it is anticipated, will be identified in bilateral agreements, and, while a physical construction program of that character is not only inherent in the plan but is indispensable to its success, the fact remains that the fundamental purpose of the plan could never possibly be reached by any amount of construction or direct project billing, because the fundamental purpose of the bill is this:

(2) furthering the restoration or maintenance of the soundness of European currencies, budgets, and finances; and

(3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

What I am trying to say to the Senator in the first instance is that while all project work is a practical necessity in building up the self-sustaining economy of these countries, in the final analysis the plan must succeed in creating governmental stability in respect to governmental economic policy, or it is all quite useless.

In seeking economic stability at the government level—and that is the only point at which it can be sought, in respect to stabilized currency and in respect to freedom of international trade, the balancing of budgets, and so forth—at the level of government economy it is absolutely necessary that there shall be diplomatic relationships as well as economic relationships. We provide for the economic relationships abroad through the economic missions which will operate under the Administrator and they can be exclusively responsible to him in respect to the economic aspects, but when we reach the problems which are a fundamental challenge to governments as such, it is necessary to deal with them at the diplomatic level.

That is only the preface to the story. Everyone, I think, who has studied the problem during the past 8 months—and I think it has had a greater and a more microscopic study than any other problem that has ever before been submitted to the Congress—I think everyone who has studied it agrees that if there is salvation for western Europe and western Germany, it lies in the closest possible coordination, which will unify these areas to the last possible degree.

We speak about the United States of Europe as the ultimate ideal in this aspect. The entire bill is built upon the theory that every effort shall be made to encourage this coordinated unification of the 16 countries in CEEC. They have already set up their own integrating organization, which is known as CEEC. It is an organization of 16 governments. The organization is meeting again the 15th of March to proceed with further exploration of the projects and of the possibilities involved. The roving ambassador now comes into the picture, because there must be some diplomatic representative accredited to the group as a group, as well as representatives in the normal diplomatic relationship accredited to each individual country.

Mr. CAIN. Will the Senator permit me at that point to ask a question?

Mr. VANDENBERG. Certainly.

Mr. CAIN. It would be appreciated if the Senator would explain to a number of us the relationship of the so-called roving ambassador: first, to the State Department, and second, to the Administrator in this country. There is a fear that the roving ambassador might create more confusion than harmony in the relationships of the various agencies abroad.

Mr. VANDENBERG. The roving ambassador referred to on page 11 has a very specific and definite mission. I think

that is perfectly clear. I quote, beginning on line 15:

He shall be the chief United States representative to any organization of participating countries which may be established by such countries to further a joint program for European recovery—

That would be CEEC.

Mr. CAIN. That is correct.

Mr. VANDENBERG. I continue—

and shall discharge in Europe such additional responsibilities as may be assigned to him with the approval of the President in furtherance of the purposes of this act.

I would say that that assigns to him responsibility for encouraging the work of coordination among the 16 countries, of following up any promising prospectus which they may develop for themselves, in cooperating among them and with them in any fashion possible, to achieve the objectives of the act. I remind the Senator that in the purposes of the act, on page 2, line 20, it is stated:

Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is the hope of the people of the United States that these countries through a joint organization will exert sustained common efforts which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity.

Subordinate to that general statement of purpose, the Senator will find throughout the bill that its authors are constantly emphasizing the fact that those countries cannot hope to reestablish themselves in the old pattern, as individualistic, competitive small units, in that relatively limited segment of the earth. The fundamental concept is unity and coordination. The fundamental concept of the roving ambassador is to serve that concept of unity and coordination. I see no danger of collision of the nature which the Senator may have had in mind. So far as collision abroad is concerned, between the economic mission and the ambassador of the country, that is a point at which there might be some possibility of collision.

Mr. CAIN. In part, that is why the question was raised, in order to get the point of view of the committee.

Mr. VANDENBERG. I shall give the Senator the answer to that question. Collision, if it should occur, would be precisely the same type of collision which might occur between the Administrator and the Secretary of State at home, at a top level. So we can come back home and deal with the question at its top level and in its maximum example, which would be a disagreement between the Secretary of State and the Administrator respecting some fundamental policy upon which they were at odds.

Mr. CAIN. It would be resolved by the President.

Mr. VANDENBERG. Exactly.

Mr. CAIN. And the President, therefore, would resolve any fundamental difference which might arise between the roving ambassador and either one of the ambassadors in any 1 of the 16 countries.

Mr. VANDENBERG. That is correct. This was one of the original and highly irritating problems which confronted us. There was a very general feeling not only throughout the committee, but throughout the Senate, and, I think, throughout the country, that since the bill is economic in character, the emphasis in its administration and control should be in economic hands. It should be under business management rather than diplomatic management with respect to the evolution of our hopes. The committee and its chairman completely recognize that fact, and it was for that reason that I turned to the Brookings Institution, which is probably the finest objective research agency in the country, and asked it to make a complete study of all the frictions which had occurred in World War I and World War II and to submit a recommendation which, in its judgment, would offer the best possibility of a unified and effective relationship between economics and statesmanship in the management of this enterprise.

The Brookings Institution presented its report. The plan recommended by the committee in the bill is substantially that recommended by the Brookings Institution. It creates almost total economic independence in the Administrator of the plan in respect to all of its business aspects. In fact, he is pretty much monarch of all he surveys, keeping the Secretary of State constantly informed, of course, regarding his activities, unless and until the Secretary of State finds some policy which is contemplated is in divergence and, in the opinion of the Secretary of State, would violate the policy of the United States, at which point the Administrator simply stays his hand pending a reference of the dispute to the President of the United States, who is the umpire.

Mr. CAIN. And if there be a very serious dispute between the Administrator in America and the roving ambassador, the dispute likewise would be settled by the President, would it not?

Mr. VANDENBERG. Precisely.

Mr. CAIN. We should like to be as certain as we can that any roving ambassador or any other duly accredited agent of this Government will not put in jeopardy by actions abroad the responsibility which the Administrator will have in the eyes of America and the rest of the world. So it was a very serious question which was raised, and I am very grateful to the Senator for his explanation.

Mr. VANDENBERG. The statement which the Senator has just made as to his desires in respect to how the system shall operate is an exact statement of what I think this bill contemplates.

Mr. CAIN. I thank the Senator.

MEETING OF APPROPRIATIONS SUBCOMMITTEE

Mr. REED. Mr. President, I ask unanimous consent that the Independent Offices Subcommittee of the Committee on Appropriations be permitted to sit afternoons this week in order to get the independent offices appropriation bill ready

to be submitted to the Senate and brought up on the floor by the time the debate on the Marshall plan is concluded.

The PRESIDING OFFICER. Without objection, consent is granted.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. WHERRY. Mr. President, I very much appreciate the patience shown by the distinguished Senator from Michigan for those of us who are interested in asking questions. The first and only question I have asked so far was relative to the length of the program. I am not convinced that there is a precedent established for loaning money to foreign countries on the basis provided by the bill; but whether there is or is not, I certainly think the question is worth going into, and if what is desired can be accomplished on an annual basis, with authority for a year only, it seems to me we should be in a better position to repudiate or terminate the program than we should be if we should authorize a program for 4½ years. But I very much appreciate the information given us by the senior Senator from Michigan.

The second question which I should like to ask the distinguished Senator runs to the impacts upon our own domestic economy. I will state that I was present at the time he informed us that he expected to amend the bill by omitting reference to the total of \$17,500,000,000 which was originally contemplated. I think that has helped the bill tremendously, and I so stated at the time. At the same meeting I suggested to the distinguished Senator that it seemed to me that the impact upon the economy of the United States by reason of scarce materials, which had already been felt by small businessmen from one end of the country to the other, was of vital concern, and that I thought restrictions should be written into the bill beyond which the Administrator could not go in the exportation of a number of materials which are so scarce that they are causing a terrific impact upon the persons I have mentioned. The small businessmen have reached the point where it is almost an impossibility to get steel. Petroleum is also very scarce. Small business has done its level best, on quotas, historic basis, and everything else it could think of, to improve the situation; but so long as we continue to export steel, and petroleum, which is also listed, on the basis upon which they are being exported today, I will say to the distinguished Senator that I cannot agree in toto with the statements made by the authorities he quoted when he stated that controls upon materials would not be involved which otherwise would not be necessitated if the bill did not pass.

Mr. President, I quote the distinguished Senator from Michigan on page 1983 of the RECORD for yesterday. He stated:

All authorities agree that the plan could be managed to avoid serious interference with our domestic economy. They agree that it would not precipitate domestic controls which would not be required by the domestic situation alone.

I inquire of the distinguished Senator what authorities he is quoting there.

Mr. VANDENBERG. Mr. President, I was speaking of the report of the Harriman Commission, the witnesses who undertook to interpret the Harriman report to us, and the comments—I cannot identify the witnesses by name—of those who, in the course of their testimony, referred in general to this subject.

If the Senator will yield further—

Mr. WHERRY. I yield.

Mr. VANDENBERG. I think it would be quite absurd for anyone to undertake to say that a program of this character will not have impacts upon domestic economy. Certainly I am not proposing to put myself in such a silly attitude, and I think the Senator will recall that I said yesterday that we must frankly face the fact that sacrifices may be involved. But the over-all conclusion—and I think it is based chiefly on the fact that the contemplated exports from the United States for the next fiscal year will be \$1,000,000,000 less than the exports for 1947—

Mr. WHERRY. That is the over-all picture?

Mr. VANDENBERG. That is correct. On that basis it is felt that given adequate management—we are back again to the fundamental thing upon which the Senator and I totally agree—that given adequate management, management which comprehends not only the problem abroad, but the problem at home, it is possible to operate this aid without upsetting the domestic economy to a point which of itself would require controls.

Mr. WHERRY. Does the Senator feel in his own mind, based upon the testimony offered in committee, or adduced from any other source, that if the \$5,300,000,000 figure shall be adopted, it will require the imposition of controls on, let us say, steel?

Mr. VANDENBERG. We are talking about domestic controls?

Mr. WHERRY. Yes.

Mr. VANDENBERG. Of course, there will be export controls, unavoidably, upon many things.

Mr. WHERRY. That is correct. I am talking about rationing business in this country. I am asking this question, from all the evidence that has been adduced—and the distinguished Senator has been the one in charge—does he have a personal opinion that in the event this appropriation shall be made in the amount of \$5,300,000,000, the imposition of domestic controls in rationing steel will be required?

Mr. VANDENBERG. I am unable to answer the question of the Senator, because I doubt whether we had any specific testimony regarding steel. But I call the attention of the Senator to the fact that neither he nor I can separate this prob-

lem sharply between steel that stays at home and steel that goes abroad. What I am trying to say is that there might be steel going abroad from a short supply at home which might increase the necessity for controls at home. What the Harriman Commission, as I understand, has been trying to do, has been to indicate that, given efficient management, it is the opinion of this group, which certainly included the ablest business executives in the United States, that this program, adequately administered, would not of itself necessitate the imposition of controls.

Let me add one more word, with the Senator's permission. I am speaking again about underscoring the importance of management of the program. The fact that there is to be no export of meat for 2 years is merely a sample of what management can do to deal with short supply. The fact that there will be no export of scrap in the next year is another example of what I am speaking of as the intelligent use of intelligent judgment. The Senator is familiar with the fact that the bill itself requires that petroleum be purchased offshore to the maximum practicable degree.

I do not think there is any categorical answer to the question the Senator submitted.

Mr. WHERRY. Let me submit a further question, then. The bill provides, as just stated by the distinguished Senator, that there would be no exportation of meat for 2 years. Is that correct?

Mr. VANDENBERG. Competitive meat; only horse meat.

Mr. WHERRY. Horse meat?

Mr. VANDENBERG. Yes.

Mr. WHERRY. But there would be exportation of meat that is used at the family table, domestically or otherwise?

Mr. VANDENBERG. Does the Senator mean it will be exported under this plan?

Mr. WHERRY. Yes.

Mr. VANDENBERG. I understand not.

Mr. WHERRY. There will be no meat exported of any kind for 2 years. There will be no horse meat exported for 2 years?

Mr. VANDENBERG. Oh, no; horse meat may be exported.

Mr. WHERRY. Outside of horse meat, there will be no meat exported. Is that correct?

Mr. VANDENBERG. That is my understanding.

Mr. WHERRY. Very well. The Senator is writing into the bill a condition which the Senator will recall I proposed several weeks ago. No meat, except horse meat, will be exported for the next 2 years.

Mr. VANDENBERG. It is not written in the bill.

Mr. WHERRY. How does the Senator know it will not be exported, then?

Mr. VANDENBERG. How do we know what will happen under the prospective administration of any bill? That is one of the demonstrations that those who are planning this program are thinking in the terms in which the Senator from Nebraska wants them to think.

Mr. WHERRY. My experience with the officials in the departments is that, unless things are written out and spelled out in a bill, they can interpret them any way they choose.

If I correctly interpret the Senator's remarks, he says that all authorities agree that the plan can be managed. I will agree with the Senator that it could be managed. But if the individual who is to administer it does not manage it properly, and if it becomes necessary to impose controls on meat, steel, and petroleum, unless the export prohibition is spelled out in the bill, we have no assurance that meat will not be exported, or that steel will not be exported, or that even petroleum will not be exported, thus leading to a scarcer supply of what is already scarce in this country.

I wish to ask the Senator, then, is there any objection to writing into the bill conditions limiting the export of steel, or of meat, or of petroleum, or any other product, beyond a certain amount, so that the Administrator, even though he does manage well, will be guided by the Congress and by its interpretation of what the Congress feels is the formula under which further exportations should be made, if any are made. I have in mind something that has already been written into the interim-aid measure, about which the Senator knows.

Mr. VANDENBERG. Will the Senator identify what he refers to, so that we may know precisely what we are talking about?

Mr. WHERRY. If the distinguished Senator will permit, I have not a formula to offer; I do not know that one will even be offered; but certainly the impact of shipments abroad upon the domestic economy has been terrific during the past year. I have only to refer to meat. It is said it will not make any difference. The statistics presented by Secretary of Agriculture Anderson reveal that in 1946 there were exported from the United States of America 1,241,000,000 pounds of meat. Prior to that time our greatest exportation was in 1939, when we exported only 117,000,000 pounds. That is a matter which makes a great deal of difference to me, Mr. President. The difference may mean a meat crisis in the United States of America.

I am happy to say that our exports this year will not reach the total of the exports of 1946. The exports have been curtailed considerably. Of course, we want to produce meat and sell meat. We want to secure all the foreign business we can. But I simply ask: Would the Senator be receptive to a formula, if one could be worked out, respecting the exportation of scarce products? I refer particularly to steel. The formula might provide that steel, for example, shall not be exported over and above a certain amount which the Congress determines to be the amount beyond which the Administrator cannot export steel? Would such a provision be acceptable to the Senator?

Mr. VANDENBERG. Mr. President, I am very glad to answer the Senator's question insofar as I can. I should like to lay a foundation for my answer by calling his attention to the instruction

given the Administrator in the text of the bill so far as general policy is concerned:

The Administrator shall provide for the procurement in the United States of commodities under this act in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States.

Then follows the specific requirement that petroleum shall be purchased offshore to the maximum practicable degree.

As I understand, the Senator asked whether it would be possible to spell this out.

Mr. WHERRY. That is correct.

Mr. VANDENBERG. My answer to the Senator, Mr. President, is that I think it would be most unfortunate if we undertook to spell it out, because I very much doubt whether we have wit enough to spell it out on a basis which we can be sure will be satisfactory even to us in these days of fluxing economy, when one can hardly tell from one 20 minutes to the next 20 minutes what the basis of even our own economy is to be.

The Senator referred to the fact that he had in mind some such controls as we had in the interim-aid bill. That underscores the point I am making. In response to the expression of desires such as those the Senator now voices, while we had the interim-aid bill under consideration, we did write a specific provision in respect to the export of wheat, as I recall, and we specified that it could not invade a certain specific carry-over.

Mr. WHERRY. That is correct. The carry-over could not go below a certain point.

Mr. VANDENBERG. Yes. I not only agreed with that suggestion, but when the committee began to consider the pending bill it was one of the amendments I proposed to write into the bill. I will tell the Senator why it was not written into the bill. On the very day when I was proposing to offer the amendment to the bill I noticed that the distinguished Senator from North Dakota was saying in the newspapers that he wanted the provision in the interim-aid bill eliminated, because the situation had materially changed in the course of 60 days. That is the reason, I will say to the Senator from Nebraska, why the bill does not contain the same language in respect to the wheat carry-over that is found in the interim-aid bill.

I use that merely as an example of what, I submit to the Senator, may be the dubious value, even to us, of trying to anticipate the world economy, or our own in times of such devastating uncertainty as we confront at the present time.

Mr. WHERRY. No doubt the change in world conditions, in the prospective American wheat crop and the wheat crop throughout the world, has altered the situation considerably. Even since the bill went to the Foreign Relations Committee, there has been a change. As I understood the proposed amendment—and I am not advocating it—it simply provided that the exportation of wheat should not continue if the visible supply should fall below 150,000,000 bushels. That would be a prohibition on exports

in the event the situation should narrow down to the point where further exportation would cause higher prices in this country.

I am not sure the formula can be written. But certainly it is proposed to give extraordinary powers to one man, who is really the manager. Under the authority proposed to be given him he could determine not only what the needs are abroad, but also what amount of goods can be exported. That is rather broad authority to be granted one man. He could practically direct the domestic economy. I humbly submit to the distinguished Senator from Michigan that in view of the present short supply of steel in the United States, that is something to think about. Can the Senator tell me the specific projects in which steel is to be used in the 16 countries involved, or in some of them?

Mr. VANDENBERG. No; but I think the information could be obtained.

Mr. WHERRY. I think it would be interesting. Someone recently made a statement—I do not know whether it was on the Senate floor, or in committee hearings, or whether I read it in the press—that six times as much steel was going into multiple-purpose power projects and irrigation dams and laterals in the 16 countries in question as would be required for the St. Lawrence seaway. Is that correct?

Mr. VANDENBERG. It sounds fantastic to me.

Mr. WHERRY. It did to me. What would the Senator say about it?

Mr. VANDENBERG. I should say it was an utterly impossible prospectus.

Mr. WHERRY. Are the figures available on which the steel to be exported is justified project by project?

Mr. VANDENBERG. I think so.

Mr. WHERRY. I do not find them.

Mr. LODGE. But there is no hard and fast assurance, is there, as to any amounts or any uses?

Mr. WHERRY. Let me ask whether any of the steel proposed to be exported will go into any such projects as I mentioned in the 16 countries in question?

Mr. LODGE. My recollection is that power development can be undertaken under this program, but only on a completely self-liquidating loan basis. In other words, there will be no grant, no gift; only a loan.

Mr. WHERRY. Some projects in our own country for which we appropriate are not always self-liquidating.

Mr. LODGE. Some of us thought that the St. Lawrence seaway would not be self-liquidating.

Mr. WHERRY. Of course, that is still a debatable question. I should like to have the figures to which I referred. I think we are entitled to know if there are to be any provisions written into the bill respecting allocations of steel for specific projects. What is the steel to be used for? For example, is additional steel required to develop the Ruhr, and develop other parts of Germany, even in the face of the fact that we are still continuing the leveling off program of industry over there, that is, dismantling factories, and so forth?

Mr. LODGE. I think that is a very pertinent observation, a very cogent re-

mark. I think the information ought to be made available insofar as possible. But I do not see how it can be done 100 percent, because we cannot tell exactly what projects the Administrator will approve. That will depend on circumstances. Does the Senator see what I am trying to get at?

Mr. WHERRY. I see. The statement was made by the Senator from Michigan that the steel will go for specific projects. From the figures so far available we can see that steel will go to one country or another on a deficit balance basis. We can see clearly that \$2,000,000,000 of the total amount will be used for the purchase of food. We can see that \$1,750,000,000 of the total will go to Great Britain. Those figures are available. I do not see in the report, however, the specific projects for which the steel is allocated. I think it is asking too much of the taxpayers of the United States to require them to pay out their money for steel to be used in Germany to rebuild industry there in view of the leveling-off program which is now taking place in Germany. I think such a procedure would be entirely wrong.

I do not know whether the so-called leveling-off program will be permitted to continue. I understand from some high military authorities that it is to continue until June. Perhaps I am wrong. I am not sure about that. But that is something about which we ought to know. It does not make sense to me that the American taxpayers should indirectly pay the reparations to countries that are now receiving industrial plants under the leveling-off formula, while we are required to rebuild Germany or Austria or any other country. That does not make sense to me. I should like to know what steel is to be allocated, and the purposes for which it is to be used.

Mr. VANDENBERG. I think the Senator is entitled to all available information on the subject, and I shall undertake to secure it. The Senator will bear in mind, however, that until these bilateral contracts are written, until the Administrator and his economic mission in each country have had an opportunity to explore the situation, the only estimates which can be made are highly tentative, and it is not possible for anyone to give the Senator the net result.

Mr. WHERRY. I was informed that there were approximately 300 factories still to be removed from occupied Germany between now and June. Is that approximately correct?

Mr. VANDENBERG. I do not have the figure. I thought it was somewhat larger. Does the Senator from Kentucky remember those figures?

Mr. BARKLEY. Not offhand.

Mr. WHERRY. I think those figures should be made available.

Mr. VANDENBERG. I think they are available.

Mr. WHERRY. There is a great deal of dispute on the question. I received my information from a high military authority, who told me that this formula was still in full force and effect, and that we were still leveling off industry. He stated that there were 384 plants still to be removed; yet we are called upon to

furnish steel to rebuild the industry which we are permitting to be dismantled under that formula.

Mr. VANDENBERG. I do not think that is true.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. BARKLEY. Originally there were approximately 1,860 plants which were to be dismantled under the reparations agreement entered into in Paris among the 18 countries involved. Later there was a rise in the level of consumption permitted to Germany, to the basis of 1,936; and that rise in the level of production automatically eliminated all those plants except about 680. So raising the level of production automatically eliminated approximately 1,200 plants, which otherwise, under the original agreement, would have been dismantled.

Exactly how many of those 650 plants have been dismantled and how many remain, I am not certain. I obtained this information in Berlin during Christmas week. My recollection is that of those in our zone less than 100 still remaining of the original number were to be dismantled. I cannot give the Senator the figures with respect to the British zone, in the Ruhr Valley.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. LODGE. On page 40 of the committee report we find this statement:

Except for the remnants of three plants which have already been allocated to the Soviet Union and dismantled; no deliveries of plants and equipment are being made from the United States zone to the Soviet Union.

Mr. WHERRY. Still the Soviet Union got three.

Mr. LODGE. They got the remnants of those three plants.

Mr. WHERRY. What about France?

Mr. LODGE. I think the Senator will agree that paragraph 22 of the report of the committee, entitled "Availability of Iron and Steel"; paragraph 29, entitled "The Role of Western Germany in the Program"; and paragraph 30, entitled "Dismantling of Plants in Germany," might well be printed in the RECORD at this point.

Mr. WHERRY. I have no objection.

There being no objection, the paragraphs referred to were ordered to be printed in the RECORD, as follows:

22. AVAILABILITY OF IRON AND STEEL

The estimates of the executive branch on iron and steel import requirements of the participating countries recognize that an adequate supply of steel is a prime necessity for a thriving European economy. Steel requirements for European recovery exceed prewar consumption levels, since a substantial backlog of war damage and deferred maintenance of plant and machinery must be made up as rapidly as practical. Furthermore, increased output and export of metal products are essential to the achievement of equilibrium in the European balance of payments. Taking selected iron and steel products on a ton-for-ton basis, the executive branch estimates that 48 percent of the CEEC requirements of iron and steel might be met.

Current steel output of the participating countries together with western Germany is about 70 percent of the 1938 level. The

CEEC finished-steel production target is set at 30,000,000 tons in 1948, or about 9,000,000 tons above the current rate. United States studies of European steel-production possibilities indicate that shortages of steel-making materials, particularly imported scrap, might prevent CEEC targets from being reached in 1948. The finished steel- and metal-fabricating industries of the United Kingdom and Italy will be principally affected by the unavailability of imported scrap, pig iron, and crude and semifinished steel.

In order to alleviate and partially offset the unfavorable effects of prospective deficits in steel-making materials, including semifinished steel, the executive branch estimated that finished steel might be exported in quantities larger than those indicated for finished steel by the CEEC report. This course of possible action was recommended after a thorough exploration of suggested alternatives.

One suggestion was that the participating countries might further reduce their programmed exports of finished steel. Some reduction in programmed exports of finished steel by the participating countries will undoubtedly occur, according to the executive branch estimates. Further reductions would gravely endanger the long-run position of the participating countries, which together were the major prewar exporters of steel to the rest of the world, to regain export markets and to earn vitally needed foreign exchange. Furthermore, in the world's presently disorganized markets, ability to export steel and related products to certain countries also confers on the participating countries an ability to obtain foodstuffs and raw materials on more favorable terms.

A second suggestion relates to the possibilities of expanding steel production and exports of bizonal Germany. Examination of the situation, however, indicates that bottleneck factors ranging from transport to replacement-parts shortages will effectively limit output below the amount of steel-making capacity scheduled for retention in that area. The occupation authorities also have indicated that additional steel production, except for amounts already earmarked for export, will be needed to reactivate the economy of bizonal Germany. However, the committee assumes that careful attention will be given to the possibility of increasing bizonal steel-ingot production.

Accordingly, the executive branch estimated that 1,150,000 metric tons of finished steel in addition to sheet and tin plate requirements might be made available from the United States to the participating countries in fiscal 1949. This country in 1947 exported about 4,000,000 tons of finished steel and about 1,200,000 tons of such exports were destined to the participating countries. Although production of finished steel in the United States for the first 9 months of 1947, according to the Harriman Committee report, was equivalent to an annual rate of 62,300,000 net tons of finished-steel products, exports of steel at the 1947 rate will continue to pinch the domestic economy. In view of all the circumstances, however, exports of finished steel to the participating countries in the amount estimated by the executive branch are essential to European recovery and will not significantly impair the strength and productivity of the American economy.

29. THE ROLE OF WESTERN GERMANY IN THE PROGRAM

Throughout the hearings and during its deliberations in executive session the members of the committee attached great importance to the role of western Germany in a European recovery program. For many years prior to World War II Germany was the hub of the European industrial system. Its in-

dustrial production and its technical know-how have been instrumental in making western Europe a great manufacturing and trading center. Because of the devastation brought on themselves by the war and the resultant dislocation of the German economy, Germany has lagged far behind other States in its recovery program. At the present time their production is still less than 50 percent of its prewar figure. It is apparent that Europe cannot be vigorous and healthy again so long as Germany remains sick.

This does not mean that requirements for western Germany should be given priority in the European recovery program nor does it mean that steps would be taken which would result in the resurgence of Germany as a military power in Europe. Clearly United States assistance should be applied in a way as to obtain effective results. In line with this principle the committee believed that, where the recovery of Europe as a whole could be advanced more rapidly by supplying additional essential goods and services to Germany rather than to other participating countries, then such a course would seem justifiable. At the same time every precaution must be taken to prevent the rebuilding of German economy in such a way that Germany will ever again become a threat to the peace.

Inasmuch as the United States is one of the occupying powers our responsibility with respect to German participation in the European recovery program is great. Our representatives must cooperate fully with the other participating countries in matters of mutual concern. To this end it is expected that the zones of western Germany will be represented on the continuing organization to be established by the participating countries.

During the hearings Secretary Marshall announced that the State Department plans to take over from the Department of the Army on approximately July 1, 1948, the responsibility for the administration of United States occupation policies in Germany. Meanwhile, for the first year of the recovery program the appropriations for those minimum essentials necessary to forestall disease and unrest will be sought by the Army. The additional funds necessary for rehabilitation and recovery are included as a part of the present authorization. These funds will be allocated by the Administrator in such a way as to insure the proper integration of the German economy into the total European recovery program.

In view of the special responsibilities of the United States as one of the occupying powers, it is recognized that the relationship between the Administrator and the officials of our Government responsible for our occupation policy in Germany will be unique.

The only government in the zones of occupation of Germany is a military government. In the case of the bizonal area of Germany, the military governments are arms of the United States and British Governments. The agreements establishing the fusion of the United States and United Kingdom zones give the United States administration in Germany ample power to assure the performance in the bizonal area of operations under this act.

The problem which the committee faced was to make certain that the Administrator would be in a position to discharge his responsibilities while at the same time assuring that the highly complex and vital administration of the occupied areas is clearly fixed in a military governor, whether he be a commanding general or a civil commissioner. The key importance of Germany to the success of the recovery program involves concentrated and energetic effort with respect to every aspect of the economic life of the area.

Hence, United States administration in Germany is a single problem. The responsibilities of the military governor include, but are not limited to, operations under the bill. The Administrator will, of course, have full authority to perform, with respect to the occupied areas, all functions vested in him by section 11 (a) of the bill. However, in the light of the special problems discussed above, the committee concluded that administrative arrangements within the occupied areas for the conduct of operations under the bill should be left to the President. It is the intention of the committee that the administrative arrangements to be made by the President will assure full coordination between the Administrator and the occupation authorities in order that the Administrator may carry out his responsibilities, without impairment of the responsibility of the military government for the successful accomplishment of the occupation objectives. Similar considerations apply with respect to the zones of the Free Territory of Trieste, if either of these zones becomes a "participating country."

30. DISMANTLING OF PLANTS IN GERMANY

During the debate in the Senate on the Foreign Aid Act of 1947, the chairman of the committee promised to investigate the policies and practices being applied in Germany to the dismantling of plants under the reparations program. Accordingly this question was examined thoroughly during the hearings on this bill.

The committee is satisfied that the policies of this Government with respect to dismantling of German plants are consistent with the European recovery program and that they do not jeopardize the vital role that western Germany is required to play under the program.

A part of the capacity scheduled for dismantling are war plants whose destruction or removal as producing units is required under the agreed program for the elimination of Germany's facilities for manufacturing war materials. The industrial capacity represented by the nonwar plants cannot be used in Germany within the period of the recovery program because of the shortages of raw materials, transport, manpower, and the other factors which hamper the expansion of German production. On the other hand, certain industrial capacity scheduled for removal from Germany is required by some of the participating countries in order to reach their production targets.

Except for the remnants of three plants which have already been allocated to the Soviet Union and dismantled, no deliveries of plants and equipment are being made from the United States zone to the Soviet Union.

Shipments are continuing to the member nations of the Inter-Allied Reparation Agency (in accordance with the terms of the Paris reparation agreement signed in January 1946 by all those nations, including the United States) entitled to reparation from Germany, except the Soviet Union and Poland. Most of this equipment is destined for countries expected to participate in the European recovery program, and that which has been received is already making a contribution to the industrial production of those countries. Continuation of deliveries will serve to meet some of the urgent requirements for capital equipment in connection with their programs for expanding industrial production. Much of this equipment could not be obtained elsewhere except by dollar payments and in some instances could not be obtained at all within the critical period. In addition, the committee finds that to discontinue dismantling would violate our international commitments under the Paris reparation agreement.

Mr. WHERRY. The Senator from Massachusetts has read the report. He is a member of the Committee on Foreign Relations. What about the plants which go to France? We have spoken about Russia. How many of them go to France, and how many are still to be delivered?

Mr. LODGE. The report does not show.

Mr. WHERRY. I should like to have the figures. Approximately 380 plants are yet to be delivered. As the minority leader has said, they are delivered under the terms of the reparations agreement. It seems to me that those countries can cooperate now. We are in a new situation. They are asking aid. They want a 4-year program. That being the case, why should they not be more lenient in their requests with respect to reparations? Why should we have to build up, with the money of the taxpayers, plants in Germany which must be sent to France or other countries by way of reparations? Why should we follow such a course from this time on?

Mr. LODGE. My quick answer to that is that if the Administrator is an intelligent man—and I think we must assume that he will be—he will have an idea in his mind as to how many plants of a certain kind France needs; and if France is getting those plants out of Germany, she should get that much less from us.

Mr. WHERRY. But we have to pay for it either way. What is the difference whether the plants are taken out of Germany, or are obtained directly from the United States? The American taxpayer is paying the reparations bill to the extent of those plants.

I am not objecting to what has been done, although I think it is wrong, and I have said so on the floor of the Senate. But from this point on we have a new program. Those countries are asking aid.

Mr. LODGE. Of course, the American taxpayer will have to carry the burden to the extent of \$5,300,000,000, assuming that this bill is passed without a change. The use to which that money is put in the case of each country, and in the case of individual bilateral and multilateral agreements, is up to the Administrator, and it will not cost the American taxpayer any more or less, one way or the other.

Mr. WHERRY. But the Senator is not objecting to the carrying out of the formula, even though it involves taking 380 plants, requiring an appropriation for steel to replace those 380 plants in occupied Germany.

Mr. LODGE. I object to our feeding materials into Germany on the one hand, and having them go out to Russia on the other.

Mr. WHERRY. What about France?

Mr. LODGE. I think France is in a very different category from Russia.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. BARKLEY. The Senator will realize that many of these plants in Germany were built under the impetus of

war preparation. Many of them are really unnecessary in a peacetime German economy. Many of them produce things which Germany cannot either use or export. If under this agreement, which we cannot ourselves change, France is to get a plant which she needs in order that she may revive her economy, it may be a plant for which there is no particular need in Germany. The decision might be based upon the character and use of the plant. We cannot simply say that there are 380 plants, and let it go at that, because each plant stands on its own merits.

Mr. WHERRY. What the minority leader is saying is that plants of a certain type may be in surplus in Germany, and that plants of that type could well be sent to France, because they are not the type of plants which are needed to rehabilitate Germany.

Mr. BARKLEY. That is true; and that applies to a great many of them. A plant sorely needed for the restoration of France's economy might be removed from Germany to France. At the same time, we might have to expend some money to replace the plant in Germany. I think that would be a useless duplication of effort. However, we might have to spend that amount or more in France in the construction of a plant which she might otherwise obtain from reparations.

Mr. WHERRY. That argument is plausible. The information which I have received from a high military authority is to the effect that under the formula the productive capacity of France is to be brought up to a certain level, and that in order to do so it is necessary for the United States to permit the dismantling of steel plants in Germany and permit them to be transported to France, so as to build up the productive capacity of France to a certain level, which I think is about the level of 1938. I am talking about one item, namely, steel. The point I am making is that the procedure seems to me to be very impracticable. Conditions are new.

The idea seems to prevail that we must carry out the terms of the agreements. It seems to me that America would have been better off years ago if we had found out what these agreements were and told the American people what we thought about them, and used our own judgment as to whether or not we should impose on the taxpayers a heavier burden to carry out such a formula. Today we are called upon to allocate and ship to foreign countries steel which is not only scarce but high-priced, and which has a profound impact on our own economy. I claim that it is in the form of reparations, because it is to be used in Germany to rebuild what is taken out to go to other countries.

Mr. BALL. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. BALL. I agree with the Senator's position in opposing dismantling of any except strictly war plants. The Senator visited in Europe. I should like to ask him, or any other Member of the Senate who was over there, whether anyone

has actually seen, or knows of, or has any report with respect to one of these dismantled plants which has actually been moved and which is in production in the new location at anywhere near its capacity level. I ask the question because I have talked with a great many plant managers in the United States about the dismantling program. There is not one who believes it is practicable. They say that when an attempt is made to move an entire plant, with all its machine tools and special tooling, almost inevitably enough things are lost on the way so that it is months, and even years, before it can begin to get into production at the new location.

I have seen no report indicating that any plant which has been dismantled and moved is actually in production and is helping out the economic recovery program in western Europe. I have been told by the Army that most of the plants which have been dismantled and shipped to Russia—and I am very happy this is the result—are still sitting on flat cars on railroad sidings, rusting.

Mr. WHERRY. The observation the Senator from Minnesota has made is parallel with my own experience abroad, and particularly is true with respect to plants that have been transferred to Russia from Russian-occupied Austria. I saw a plant that was dismantled and moved into Russia and never was erected again. In fact, the Russians did not know how to put it up. There are all kinds of arguments and reasons why the plan has been very impractical. The Russians simply do not have the know-how; they do not understand how to operate the plants.

However, it is another thing to say that from now on we must maintain that reparations formula. Today these plants are going to Soviet Russia. It does not make sense to me to send anything to Soviet Russia. Perhaps I am wrong. I suppose we should always keep faith with commitments. But I sat on the Appropriations Committee one afternoon, about a year ago, when under lend-lease we were exporting to Russia one of the most modern petroleum refining plants which could be purchased in the United States. It cost \$16,000,000. We were doing that under the theory that we were keeping our obligations to Russia. Yet today that plant is needed here if we are to keep our country in a condition to defend itself; and if we were at war we would need it badly.

This is a new proposition, and it seems to me that France and the other countries should not now insist upon carrying out these reparations agreements, in view of the fact that they result in taking from the United States steel which is in such short supply here and shipping it abroad to be used to replace what is being taken away to Russia, and we also know that the Russians cannot efficiently operate the plants they get in that way.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. BARKLEY. I simply wish to comment on the general observation of the Senator from Minnesota that these plants cannot be removed and thereafter reerected and operated economically.

We know that in this country many plants have been removed and are being removed from one location to another. I refer to plants which have been sold as surplus property. I have in mind now two companies in the United States which buy surplus property in the form of plants and move them entirely across the continent of the United States, for instance. That does not happen as the result of any reparations agreements, but certainly those companies think it is economically feasible to move those plants from one State to another, in order that they may have the material, the buildings, the machinery, the tools, and so forth.

So it is not an irrefutable rule that a plant cannot be moved from one country to another, or from one State to another, without destroying its utility. So to that extent I think it might be possible to move plants in other parts of the world.

Mr. WHERRY. Mr. President, I do not wish to prolong the debate. The figures for which I have asked—and I think the Senate should have them—should show the allocations of steel to particular projects. In view of my suggestions, which have not been met, I think it proper to write into this bill a prohibition against the export of materials in excess of a certain amount during this period. My feeling is that if such exports are continued, they will result in the reimposition of controls in the United States. Of course, that will depend upon the management; but if we make the commitments and allocations of steel and other materials, as proposed for the first year's program under this measure, it seems to me that in view of the needs here at home, the result will be to put United States industries in a state of chaos.

Let me say that I suppose the amounts to be allocated, as set forth in the bill, are as proposed several months ago; and of course, as the Senator has stated, the situation changes. For instance, all the money which several months ago was needed for food may not now be needed for food, or, at least, that much food may not now be needed. No doubt that situation has changed in the last few months, and probably in another 2 months the situation will change again. From time to time the situation changes, either up or down. So I realize that it is impossible to fix upon one figure and say that so many gallons of petroleum or so many bushels of wheat or so many pounds of some material or another can be bought with that much money, and then come out exactly as planned, insofar as supplying the needs is concerned.

On the other hand, is it possible to reduce the allocations for aid from the amounts proposed by the measure now before the Senate?

Mr. VANDENBERG. Mr. President, it is the understanding of the Senator from Michigan that the allocations are made on the basis of prices as of October 1 or November 1, 1947—let us say October 1, 1947. It is my understanding that prices on the tentatively allocated commodities increased \$400,000,000, to the peak of the market. So, to make quite plain what I am trying to say, in terms of market prices at the peak of the price rise, the

\$6,800,000,000 worth of supplies would have required \$7,200,000,000 to purchase.

It is my further understanding that the recession in prices has recaptured all of that \$400,000,000 except \$145,000,000. In other words, today it would take \$145,000,000 more than the \$6,800,000,000 figure to achieve what the \$6,800,000,000 figure is supposed to achieve. Does the Senator from Nebraska understand my point?

Mr. WHERRY. Yes; I think I do. Let me point out that the fact that the 3 months is taken off would bring the figure down, under a parallel procedure, to \$5,300,000,000, approximately.

Mr. VANDENBERG. Yes.

Mr. WHERRY. Let me ask this question: Did not the allocations in October require appropriations for meat?

Mr. VANDENBERG. It is not my understanding that they did.

Mr. WHERRY. It was my understanding that there were to be allocations for meat.

Mr. VANDENBERG. Of course, there is no doubt that originally there was a contemplation of meat exports. But I am submitting the net result of what happened, and I submit it to the Senator as a rather consoling example of the fact that some sanity is being used even in connection with the preliminary estimates for this program.

Mr. WHERRY. Has that been accounted for, and have the proposed allocations for meat been removed from the bill? In other words, under this recommendation, as I suppose it may be called, no meat is to be exported for 3 years.

Mr. VANDENBERG. I assume that when the allocation for meat was removed—if it was; and for the sake of argument I am assuming that it was, originally—some substitute food was put into the allocations. I think the Senator is quite correct in his position that during the next 12 months, events from month to month can and should substantially change the character of the allocations. For instance, a good crop season in Europe this summer would make a tremendous difference in the entire concept and impact of the burden for the next 12 months.

So I see no way by which the actual needs can be anticipated, beyond the creation of the best possible system to make the program work on a basis of sound economics. Like everything else in government, there is finally a collision with the human element, and there is no way in the world to avoid it.

Mr. WHERRY. That is correct.

Mr. President, I should like to ask the Senator another question: Is it correct that the cost of the food which is to be sent to the 16 nations abroad totals approximately \$1,800,000,000, or nearly two-fifths of the total amount involved under this bill?

Mr. VANDENBERG. I confess to the Senator I am not trying to carry the figures in my head.

Mr. WHERRY. I think it is close to \$2,000,000,000. Is that correct?

Mr. VANDENBERG. The head of the committee staff says it would run to about \$2,000,000,000.

Mr. WHERRY. That is about two-fifths of the loan, grant, or aid, whatever

it may be called. I should like to ask the distinguished Senator this question: Assuming we purchase food in this country to the extent of \$2,000,000,000, will the Senator please trace in detail the handling of the food until the time it is eaten over yonder?

Mr. VANDENBERG. When it reaches the beneficiary country, under the direction and control of the American Economic Mission which is to be set up in the beneficiary country, and pursuant to the contract that has been written between the two of us, it moves into the domestic food distribution system of the beneficiary country and is sold. At the same time, the beneficiary government must cover the amount of the importation by a deposit of local currency equaling the value of the imports.

Mr. WHERRY. And then in turn, as it is distributed through the channels of trade, it finally reaches the consumer, who in turn pays for it in currency, which goes back to the millers, who in turn pay to the central government in its currency the amount of money available to buy the wheat or whatever the product is; is that correct?

Mr. VANDENBERG. That is correct.

Mr. WHERRY. The point in my question is, Where is the money deposited? Is it deposited with the central government? What is the name of the agency with which the local currency is deposited by the millers?

Mr. VANDENBERG. The local currency is then placed in a trust fund jointly controlled by the Government of the United States and the government of the beneficiary country, and the method and detail are set up in the bilateral agreement which is written between us and the beneficiary country.

Mr. WHERRY. Is that to be done after the legislation is approved?

Mr. VANDENBERG. That is correct.

Mr. WHERRY. Is that about the same as the basis on which the interim-aid program is being administered?

Mr. VANDENBERG. I should think so.

Mr. WHERRY. In other words, what happens is that when a boatload of wheat provided by the United States goes to France, the Central Government buys it and gives an I O U to the United States. The Central Government then sells it to the distributors, starting in with the millers, and processors, and finally it goes to the retailer or the corner grocery. In turn, the money flows back to the Central Government where it is deposited in a trust fund under a bilateral agreement which specifies what is to be done with the money. The Administrator then has as much to say about it as does the Central Government, is that correct?

Mr. VANDENBERG. That is correct.

Mr. WHERRY. Would the Senator be receptive to an amendment of the bill which would spell out what is to be done with the money by the Central Government? What I have in mind is that if there is to be any recovery in the 16 countries, there must be a stabilized currency, there must be a realistic medium of exchange. I think that is paramount. I have been told by financial authorities that the quickest way to get

it is to provide that the Central Government shall use the money to buy up and thus help stabilize its own currency. Would the Senator feel that such a provision or condition would be acceptable?

Mr. VANDENBERG. I think it would be the saddest kind of judgment to write a requirement of that character into the bill, but I think the process the Senator describes is precisely the one which we all anticipate will be followed to a substantial degree.

Mr. WHERRY. May I ask the senior Senator from Michigan, what has been done with the interim-aid money?

Mr. VANDENBERG. I do not think we have had sufficient experience as yet to determine the use to which it is to be put. I have today asked for a memorandum on that subject to see if there is any comparable information which would be pertinent.

Mr. WHERRY. I think the Senate ought to have that information. During the debate on interim aid, the Senator from Illinois felt that the money ought to be used to help pay expenses, as I recall, in connection with the Voice of America, or some other Government agency abroad, I am not sure which. Other suggestions were made as to how the money should be used. We have come now to a question of stabilizing currencies. I have been told by a financial expert whose standing is beyond dispute, that if the money that is finally accumulated by the Central Government could be used to purchase the local currency of the beneficiary country, it would stabilize that country and would do more to promote recovery than any other one thing could do. While we get about a 50-50 say on what is to be done with the money, I should nevertheless like to see what the experience in the case of interim aid has been. What is being done with the money? To what use is it being applied? Is it being used to continue the subsidizing of governments, to further socialistic schemes, and for things of that sort, with which the American taxpayer is not in agreement? Or is it being used constructively to accomplish the purpose for which it was originally intended? I say to the Senator that when I was in Paris I found that more than 34,000 policemen were on the pay rolls of that city.

Mr. VANDENBERG. I have heard the Senator make that and kindred statements a good many times, and I have no doubt in the world the statements are correct.

Mr. WHERRY. I thank the Senator.

Mr. VANDENBERG. On the other hand, I see no connection whatever between 34,000 policemen in Paris and the intelligent American judgment that shall be used in respect to the disposition of local currencies. I am glad the Senator had a talk with his financial expert. I am not saying that invidiously with respect to the financial expert to whom the Senator referred. I am sure the Senator is not under the misapprehension that the pending measure has not had the intensive study of hundreds of financial experts.

Mr. WHERRY. I have read their testimony.

Mr. VANDENBERG. One might almost infer from the Senator's question that he thinks something has been hurriedly fabricated overnight, without the aid of financial experts. But that does not happen to be the situation.

Mr. WHERRY. May I suggest, however, that the best evidence of that is what has been done with the money already supplied? Interim aid has been in existence now for how many months?

Mr. VANDENBERG. Two.

Mr. WHERRY. What has been done with that money? The Senator says the 34,000 policemen in Paris have no relationship to the present discussion. I say that it does if the money is being used to subsidize governments.

Mr. VANDENBERG. The money cannot be used to subsidize governments under the language of the bill which provides for its collection.

Mr. WHERRY. But once the Congress authorizes an appropriation and makes the appropriation, any collateral agreement that is to be made is up to the Administrator, is it not?

Mr. VANDENBERG. Any use of the funds must be within the purview of the purposes of the act. Of all the things that would not be within the purview of the purposes of the act, I should say it would be the hiring of 34,000 policemen.

Mr. BARKLEY. Mr. President—

Mr. WHERRY. We have now something in the record to show that at least one Senator of the United States would like to use the money paid into the Central Government for a purpose that will accomplish what we hope will be accomplished in making the loan, which is to stabilize the currencies and to have a realistic medium of exchange in order that the beneficiary countries may be able to do business not only among themselves but with countries in the Western Hemisphere. Up until now there has not been one act of the present administration looking to the accomplishment of that purpose. The best evidence of what will happen in the future is what has happened in the past, particularly the past 2 or 3 years.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WHERRY. Yes. I think I perhaps should yield first to the Senator from Kentucky.

Mr. VANDENBERG. Let me make just one observation. I am disinclined to allow the Senator from Nebraska to enjoy the monopoly of being the one Senator upon the floor of the Senate who believes that the stabilization of currencies is the right approach to the creation of the stabilization we all want. I agree with the Senator completely that that is true, and so do most of those who have discussed the plan. But there is no reason in the world why that should be written down as an exclusive objective, inasmuch as there are many others which are equally appealing if the Senator will but consider them. For instance, there is no reason in the world why we should not charge all our expenses of local administration to those local funds. There are other exhibits of that character. What I am saying is that I am sure the Senator would agree, upon a complete survey of the

problem, that it is inadvisable to try to write specifically into the bill what shall be done. The important thing is to write the general directive here and then require, as we have specifically required in the bill, that any ultimate residue may be disposed of only with the approval of the Congress.

Mr. WHERRY. I understand the Senator's position, but, after all, it depends upon the administration and upon the bilateral agreement as to what result is obtained. We seem to agree on many things except that my suggested amendments are acceptable. I cannot see any reason in the world why the Administrator would be hamstrung. I think it would give him strength if the Congress of the United States should provide that when we give food to those countries, which they sell for money, the money which accumulates should be used to retire a currency that should be retired. What is wrong with that?

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. FERGUSON. I wanted to inquire whether the record in connection with the pending bill shows contracts made with foreign governments under the interim aid program.

Mr. VANDENBERG. I do not know. I do not think it is in the record. But I have one of the contracts in my hand, which I shall be very glad to put into the RECORD.

Mr. FERGUSON. I should like to have it put into the RECORD if possible. May I inquire as to whether the contract shows the place where the money is deposited? Is it in the Bank of France or in the Bank of Italy, for instance?

Mr. VANDENBERG. I shall put the entire agreement into the RECORD.

Mr. FERGUSON. That will be satisfactory.

Mr. VANDENBERG. It is the existing contract for interim aid to Italy. Section 1, paragraph 2, provides as follows:

2. The funds in such special account, or prior advances in agreed amounts, will be used for administrative expenses of the Government of the United States of America, in Italian currency, incident to its operations within Italy under this agreement. The remainder of such funds may be used for the following additional purposes:

(a) For effective retirement of the national debt of Italy or for irrevocable withdrawal of currency from circulation; and

(b) For such other purposes, including measures to promote the stabilization of Italian currency, as may hereafter be mutually agreed by the two governments.

What I am saying to the Senator is that, first, this indicates the extent to which the system is operating in line with the general objective which he describes. I say to him, second, that there are many different ways of accomplishing the result of which he is speaking. We might want to have the currency destroyed and put out of circulation entirely. We might want to have the national debt retired. Whatever decision is made should be geared to the wisest fiscal judgment that can be applied to the event when it shall occur. I respectfully submit that there is nothing controversial or inconsistent, despite what

the Senator says regarding the desirability of the one method to which he refers, in my saying that I think it would be most unwise to try to put down in textual language in the bill the precise method of use of local funds.

Mr. WHERRY. Mr. President, I do not ask for that. I have simply suggested that it could be used for the purpose of retiring currency.

Let me ask the distinguished Senator another question. The contract to which the Senator has referred is dated January 3, 1948. Is that the date upon which the agreement was entered into?

Mr. VANDENBERG. Yes.

Mr. WHERRY. Will the distinguished Senator have the contract printed in the RECORD?

Mr. VANDENBERG. Mr. President, I ask unanimous consent that the contract be printed in the RECORD.

Mr. FERGUSON. Mr. President, would it be possible to put all the agreements under the interim-aid plan into the RECORD?

Mr. VANDENBERG. I should think so.

Mr. WHERRY. If we can have all three, I suggest that it would be in order to have them printed in the RECORD.

The PRESIDING OFFICER. Is there objection?

There being no objection, the agreements were ordered to be printed in the RECORD, as follows:

AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND ITALY

The Government of the United States of America and the Government of Italy,

Considering the desire of the people of the United States of America to provide immediate assistance to the people of Italy, and

Considering that the enactment by the United States of America of the Foreign Aid Act of 1947 (hereinafter referred to as the Act) provides the basis of such assistance to the people of Italy, have agreed as follows:

ARTICLE I

1. The Government of the United States of America will, subject to the provisions of the Act and of appropriation acts thereunder and of this Agreement, aid the people of Italy by making available such commodities (including storage, transportation, and shipping services related thereto) or by providing for the procurement thereof through credits under the control of the Government of the United States of America, to the Government of Italy or to any person, agency, or organization designated to act on behalf of the Government of Italy, as may from time to time be requested by the Government of Italy and authorized by the Act and by the Government of the United States of America. This Agreement, however, implies no present or future obligation upon the Government of the United States of America to give assistance to the people of Italy, nor does it imply or guarantee the availability of any specific commodities or categories of commodities, nor shall it imply the payment by the Government of the United States of America for any storage, transportation, handling, or shipping services within Italy.

2. All commodities made available pursuant to this Agreement will be procured in the United States of America, unless permitted to be procured elsewhere under the provisions of section 4 of the Act and unless otherwise expressly agreed between the two Governments. Petroleum and petroleum products will, to the maximum extent practicable, be procured from sources outside the United States of America and will be transported to

Italy by the most economical route from the source of supply.

ARTICLE II

The Government of Italy, having been fully informed as to the provisions of the Act, hereby affirms that it accepts and will perform the undertakings specified in section 5 thereof, as well as those provided for in section 7 of the Act insofar as action by it may be required for implementation of such latter section.

ARTICLE III

1. The Government of the United States of America, pursuant to the requirements of section 6 of the Act, reserves the right at any time to terminate its aid provided for under Article I, paragraph 1, of this Agreement.

2. This Agreement, together with the Annex attached thereto, shall take effect on the date of its signature and shall apply to all commodities made available to the Government of Italy under the Act. It shall remain in effect until December 31, 1948, or such earlier date as may be agreed by the two Governments.

In witness whereof, the undersigned, being duly authorized by their respective Governments for that purpose, have affixed their respective signatures to this Agreement.

Done at Rome, in duplicate, in the English and Italian languages, this second day of January, 1948.

For the Government of the United States:
JAMES C. DUNN.

For the Government of Italy:
ALCIDE DE GASPERI.
CARLO SFORZA.

ANNEX

SECTION I

1. In the case of any commodity made available pursuant to this Agreement or in the case of credits established under the Act being debited pursuant thereto in respect of the furnishing of any such commodity, the Government of Italy will, forthwith upon notification by the Government of the United States of America, deposit in a special account in the Bank of Italy in the name of the Government of Italy, an amount in Italian currency equivalent to the dollar amount stated in the notification. The amount so stated will be either the dollar cost in respect of such commodity (including storage, transportation, and shipping services related thereto) which is indicated as chargeable to appropriations under the Act, or the amount of the debit, as the case may be. The amount deposited in Italian currency will be computed at the most favorable rate of exchange in terms of United States dollars, authorized under the Articles of Agreement of the International Monetary Fund, then applicable to imports of any commodity into Italy.

2. The funds in such special account, or prior advances in agreed amounts, will be used for administrative expenses of the Government of the United States of America, in Italian currency, incident to its operations within Italy under this Agreement. The remainder of such funds may be used for the following additional purposes:

(a) for effective retirement of the national debt of Italy or for irrevocable withdrawal of currency from circulation, and,

(b) for such other purposes, including measures to promote the stabilization of Italian currency, as may hereafter be mutually agreed by the two Governments.

3. Any unencumbered balance remaining in such account on June 30, 1948, will be disposed of within Italy for such purposes as may hereafter be agreed between the two Governments, it being understood that the agreement of the United States of America is subject to approval by Act or joint resolution of the Congress.

4. The provisions of this section shall remain in effect until superseded by a further agreement between the two Governments.

SECTION II

Any commodities made available under this Agreement by the Government of the United States of America, unless substantially altered from the form in which furnished and substantially identical commodities within Italy from whatever source procured, will not be removed or permitted to be removed from the territory of the Government of Italy, unless it is agreed between the two Governments that such commodities are no longer needed in Italy or that the export of such commodities would yield a commensurate benefit, not inconsistent with the purposes of the Act as set forth in section 2 thereof, to the economy of Italy, or unless otherwise expressly agreed between the two Governments.

SECTION III

The Government of Italy will furnish such statements and information relating to operations under this Agreement as may from time to time be requested by the Government of the United States of America.

Following is the initial portion of the interim-aid supply program for Italy approved by Department. Procurement of these items, to start as soon as possible, is for the months of December 1947, and January 1948, with shipment to begin when feasible. This does not preclude the possibility of additional procurement in January 1948.

Product	Quantity (long tons)	Estimated cost and freight value
Cereals.....	152,000	\$22,000,000
Soya flour.....	2,000	360,000
Pulses (United States).....	4,000	1,244,000
Rolled oats.....	3,000	918,000
Coal:		
United States.....	600,000	12,000,000
Ruhr.....	256,000	5,500,000
POL from various countries.....		6,800,000
Blister copper from Chile.....		4,100,000
Phosphate rocks.....		2,200,000
Nitrates from Chile.....		1,000,000
Medical supplies.....		600,000
Total.....		56,722,000

INTERIM AID AGREEMENT WITH AUSTRIA

An agreement providing for interim aid to Austria under the United States foreign-aid program was signed in Vienna tonight. The agreement was signed on behalf of Austria by Chancellor Leopold Figl, and on behalf of the United States by Lt. Gen. Geoffrey Keyes, United States High Commissioner for Austria.

It is designed to cover the period before the full European recovery program can be brought into effect.

Immediately to be procured, among other things, will be 45,000 long tons of cereals, 3,000 long tons of lard, 5,000 long tons of sugar, and 240,000 long tons of coal. Also included are large amounts of soya flour, rolled oats, pulses, pesticides, fatty acids, and seeds.

This initial installment, and the others to follow, will be distributed throughout Austria "under control systems embodied in agreements between the United States High Commissioner for Austria and the other occupying authorities or the Government of Austria," which insure compliance with the Interim Aid Act passed by Congress.

Under terms of the agreement, the Austrian Government would deposit in its own name in the Austrian National Bank the schilling equivalent of the dollar value of goods made available, such money to be used to cover American expenses in Austria incident to operating the interim-aid program. All excess is available to the Austrian Gov-

ernment for retirement of its national debt, the stabilizing of the currency, or for other measures to strengthen the Austrian economy.

Under terms of the law on which today's agreement was based, Austria is free to purchase outside the United States any commodities she can obtain elsewhere at a delivered price lower than that from the United States. No more than 10 percent of the funds may be used to purchase, at prices higher than the American, any commodities produced in commercial quantities in the United States.

The agreement stipulates that no commodities made available shall be removed from Austrian soil unless both Austria and the United States agree that they are no longer needed in Austria or "unless substantially altered from the form in which furnished." The export of substantially identical commodities obtained inside Austria is also subject to agreement.

INITIAL PORTION OF THE SUPPLY PROGRAM

Following is the initial portion of the supply program for Austria approved by the Department. It includes January 1948 procurement, and cereals include two cargoes of wheat against February allocation for possible preshipment in January 1948. Shipment under all procurement will start as soon as feasible.

Product	Quantity (long tons)	Estimated cost and freight value
Cereals.....	45,000	\$6,547,000
Soya flour.....	1,000	189,000
Rolled oats.....	3,000	600,000
Lard.....	3,000	2,318,000
Pulses.....	4,000	926,000
Sugar.....	5,000	936,000
Coal (offshore).....	240,000	3,800,000
Pesticides.....		650,000
Seeds.....		4,000,000
Fertilizer.....		1,000,000
Fatty acids.....	300	244,000
Total.....		21,294,000

TEXT OF AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND AUSTRIA

The Government of the United States of America and the Government of Austria,

Considering the desire of the people of the United States of America to provide immediate assistance to the people of Austria, and

Considering that the enactment of the Foreign Aid Act of 1947 by the United States of America (hereinafter referred to as the Act) provides the basis of such assistance to the people of Austria, have agreed as follows:

ARTICLE I

1. The Government of the United States of America will, subject to the provisions of the Act and of appropriation acts thereunder and of this Agreement, aid the people of Austria by making available such commodities (including storage, transportation, and shipping services related thereto) or by providing for the procurement thereof through credits under the control of the Government of the United States of America, to the Government of Austria or to any person, agency, or organization designated to act on behalf of the Government of Austria, as may from time to time be requested by the Government of Austria and authorized by the Act and by the Government of the United States of America. This agreement, however, implies no present or future obligation upon the Government of the United States of America to give assistance to the people of Austria, nor does it imply or guarantee the availability of any specific commodities or categories of commodities, nor shall it imply, the payment by the Govern-

ment of the United States of America for any storage, transportation, handling or shipping services within Austria.

2. All commodities made available pursuant to this Agreement will be procured in the United States of America unless permitted to be procured elsewhere under the provisions of Section 4 of the Act and unless otherwise expressly agreed between the two Governments.

3. The Government of the United States of America retains the right of possession of any commodities made available pursuant to this agreement, until, in the opinion of the United States High Commissioner for Austria or other designated official of the Government of the United States of America, such commodities should be released for distribution.

ARTICLE II

1. The Government of Austria, having been fully informed as to the provisions of the Act, hereby affirms that it accepts and will perform the undertakings specified in section 5 thereof, as well as those provided for in section 7 of the Act in so far as action by it may be required for implementation of such latter section.

2. The undertaking of the Government of Austria pursuant to paragraph 1 of this Article, to permit duly authorized representatives of the Government of the United States of America, including Congressional Committees, to observe, advise, and report on the distribution among the people of Austria of the commodities made available pursuant to this agreement, and also to permit representatives of the press and radio of the United States of America to observe and report on the distribution and utilization of the commodities made available pursuant to this agreement and on the utilization of the special account provided for in the Annex to this agreement, shall not be applicable so long as the Government of the United States of America determines that commodities made available to the Government of Austria pursuant to this agreement will be distributed under control systems embodied in agreements between the United States High Commissioner for Austria and the other occupying authorities of the Government of Austria which assure compliance with the objectives of the occupation and with the purposes of the Act.

ARTICLE III

1. The Government of the United States of America, pursuant to the requirements of section 6 of the Act, reserves the right at any time to terminate its aid provided for under Article I, paragraph 1, of this agreement.

2. This agreement, together with the Annex attached thereto, shall apply to all commodities made available to the Government of Austria under the Act. It shall remain in effect until December 31, 1948, or such earlier date as may be agreed by the two Governments.

In witness whereof, the undersigned, being duly authorized by their respective Governments for that purpose, have affixed their respective signatures to this agreement.

Done at Vienna, in the English and German languages, this second day of January, 1948.

For the Government of the United States:

LT. GEN. GEOFFREY KEYES.

For the Government of Austria:

CHANCELLOR LEOPOLD FIGL.

ANNEX

SECTION I

1. In the case of any commodity made available pursuant to this Agreement or in the case of credits established under the Act being debited pursuant thereto in respect of the furnishing of any such commodity, the Government of Austria will, forthwith upon notification by the Government of the United States of America, deposit in a special account

1. the Austrian National Bank in the name of the Government of Austria, an amount in Austrian currency equivalent to the dollar amount stated in the notification. The amount so stated will be either the dollar cost in respect of such commodity (including storage, transportation, and shipping services related thereto) which is indicated as chargeable to appropriations under the Act, or the amount of the debit, as the case may be. The amount deposited in Austrian currency will be computed at the most favorable rate of exchange in terms of United States dollars which is lawfully available in Austria to any legal personality and is then applicable to imports of any commodity into Austria.

2. The funds in such special account, or prior advances in agreed amounts, will be used for administrative expenses of the Government of the United States of America, in Austrian currency, incident to its operations within Austria under this Agreement. The remainder of such funds may be used for the following additional purposes:

(a) for effective retirement of the national debt of Austria or for irrevocable withdrawal of currency from circulation, and,

(b) for such other purposes, including measures to promote the stabilization of Austrian currency, as may hereafter be mutually agreed by the two Governments.

3. Any unencumbered balance remaining in such account on June 30, 1948, will be disposed of within Austria for such purposes as may hereafter be agreed between the two Governments, it being understood that the agreement of the United States of America is subject to approval by Act or joint resolution of the Congress.

4. The provisions of this section shall remain in effect until superseded by a further agreement between the two Governments.

SECTION II

Any commodities made available under this Agreement by the Government of the United States of America, unless substantially altered from the form in which furnished and substantially identical commodities within Austria from whatever source procured, will not be removed or permitted to be removed from the territory of the Government of Austria, unless it is agreed between the two Governments that such commodities are no longer needed in Austria or that the export of such commodities would yield a commensurate benefit, not inconsistent with the purposes of the Act as set forth in section 2 thereof, to the economy of Austria, or unless otherwise expressly agreed between the two Governments.

SECTION III

The Government of Austria will furnish such statements and information relating to operations under this Agreement as may from time to time be requested by the Government of the United States of America.

TEXT OF AGREEMENT BETWEEN THE UNITED STATES OF AMERICA AND FRANCE

The Government of the United States of America and the Government of the French Republic, considering the desire of the people of the United States of America to provide immediate assistance to the people of France, and considering that the enactment by the United States of America of the Foreign Aid Act of 1947 (hereinafter referred to as the Act) provides the basis of assistance by the United States of America to the people of France, have agreed as follows:

ARTICLE I

1. The Government of the United States of America will, subject to the provisions of the Act and of appropriation Acts thereunder and of this Agreement, aid the people of France by making available such commodities (including storage, transportation, and ship-

ping services related thereto) or by providing for the procurement thereof through credits under the control of the Government of the United States of America, to the Government of the French Republic or to any person, agency, or organization designated to act on behalf of the Government of the French Republic, as may from time to time be requested by the Government of the French Republic and authorized by the Act and by the Government of the United States of America. This Agreement, however, implies no present or future obligation upon the Government of the United States of America to give assistance to the people of France, nor does it imply or guarantee the availability of any specific commodities or categories of commodities, nor shall it imply the payment by the Government of the United States of America for any storage, transportation, handling or shipping services within France.

2. All commodities made available pursuant to this Agreement will be procured in the United States of America, unless permitted to be procured elsewhere under the provisions of Section 4 of the Act and unless otherwise expressly agreed between the two Governments. Petroleum and petroleum products will, to the maximum extent practicable, be procured from sources outside the United States of America and will be transported to France by the most economical route from the source of supply.

ARTICLE II

The Government of the French Republic, having been fully informed as to the provisions of the Act, hereby affirms that it accepts and will perform the undertakings specified in Section 5 of the Act, as well as those provided for in Section 7 of the Act insofar as action by it may be required for implementation of such latter section.

ARTICLE III

1. The Government of the United States of America, pursuant to the requirements of Section 6 of the Act, reserves the right at any time to terminate its aid provided for under Article I, Paragraph 1, of this Agreement.

2. This Agreement, together with the Annex attached thereto, shall take effect on the date of its signature and shall apply to all commodities made available to the Government of the French Republic under the Act. It shall remain in effect until December 31, 1948 or such earlier date as may be agreed by the two Governments.

In witness whereof, the undersigned, being duly authorized by their respective Governments for that purpose, have affixed their respective signatures to this Agreement.

Done at Paris in the English and French languages, this 2nd day of January, 1948.

For the Government of the United States:

JEFFERSON CAFFERY.

For the Government of the French Republic:

GEORGES BIDAULT.

ANNEX

SECTION I

1. In the case of any commodity made available pursuant to this Agreement or in the case of credits established under the Act being debited pursuant thereto in respect of the furnishing of any such commodity, the Government of the French Republic will, forthwith upon notification by the Government of the United States of America, deposit in a special account in the Banque de France in the name of Credit National an amount in French currency equivalent to the dollar amount stated in the notification. The amount so stated will be either the dollar cost in respect of such commodity (including storage, transportation, and shipping services related thereto) which is indicated as chargeable to appropriations under the

Act, or the amount of the debit, as the case may be. The amount deposited in French currency will be computed at the rate of exchange in terms of United States dollars authorized under the Articles of Agreement of the International Monetary Fund, then applicable to imports of such commodity into France.

2. The funds in such special account, or prior advances in agreed amounts, will be used for administrative expenses of the Government of the United States of America, in French currency, incident to its operations within France under this Agreement. The remainder of such funds may be used for the following additional purposes:

(a) For effective retirement of the national debt of France or for irrevocable withdrawal of currency from circulation, and

(b) For such other purposes, including measures to promote the stabilization of French currency, as may hereafter be mutually agreed by the two Governments.

3. Any unencumbered balance remaining in such account on June 30, 1948, will be disposed of within France for such purpose as may hereafter be agreed between the two Governments, it being understood that the Agreement of the United States of America is subject to approval by Act or joint resolution of the Congress.

4. The provisions of this section shall remain in effect until superseded by a further agreement between the two Governments.

SECTION II

Any commodities made available under this Agreement by the Government of the United States of America, unless substantially altered from the form in which furnished and substantially identical commodities within France from whatever source procured, will not be removed or permitted to be removed from the territory of the Government of the French Republic, unless it is agreed between the two Governments that such commodities are no longer needed in France or that the export of such commodities would yield a commensurate benefit, not inconsistent with the purposes of the Act as set forth in Section 2 thereof, to the economy of France, or unless otherwise expressly agreed between the two Governments.

SECTION III

The Government of the French Republic will furnish such statements and information relating to operations under this agreement as may from time to time be requested by the Government of the United States of America.

Following is initial portion of the interim aid supply program for France approved by Department under USFAP, PL 389: Program includes December and January grain allocations and December coal allocation to the extent of shipments delivered in France on and after December 17. Further items are under discussion and the full program will be developed in near future.

Product	Quantity (long tons)	Estimated cost and freight value
Cereals.....	343,500	\$47,700,000
Coal (United States).....	1,000,000	21,600,000
Total.....		69,300,000

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield to the Senator from Kentucky.

Mr. BARKLEY. The Senator will recall that the interim-aid program was supposed to be for 3 months, up to the 1st of April. Until that time shall arrive it will be impossible to have a report

upon it. I recall that in committee, when a definite date was fixed for the report to be made to the Congress, it was found necessary to amend it so that the report should be made as soon as practicable. It may be possible to get some information as to current expenditures, but there would be no way by which we could get complete information until the report had been made.

Mr. WHERRY. I simply wanted to know, if any allocations had been made, what had happened to the money, or if anything had happened up to this time. This is the first contract I have seen, the first indication of what was happening to any of the money in the central government of Italy.

I think we should ascertain what has happened in France. It seems to me that if the money is to be used to retire the debts of these foreign countries we might somewhat follow the same course here at home. In view of the fact that we voted for the plan, I think we should at least be able to insist that the money be used for the purpose for which it was intended, and not be diverted to some other use. If the Senator objects to my using the word "subsidize," I shall say "a further socialistic program to which we in this country do not subscribe." That is the point I make.

I do not wish to monopolize the floor. We are receiving light from the Senator from Michigan, and I hope other Senators will ask him questions. Would the Senator agree with me that the \$5,500,000,000 required for servicing the debt should come ahead of the loan proposed in the pending bill?

Mr. VANDENBERG. I do not entirely understand the Senator's question.

Mr. WHERRY. Perhaps I did not make myself clear. Our Government has obligations to pay. I think the first thing it should pay is the \$5,500,000,000 which is required to service our loans. Would the Senator agree with me on that?

Mr. VANDENBERG. Without any reservation.

Mr. WHERRY. Does the Senator think it comes ahead of the expenditure provided for in the proposed legislation?

Mr. VANDENBERG. It comes ahead of everything on the calendar. I see no relationship between the two, however.

Mr. WHERRY. Would the Senator agree with me that GI benefits in the amount of nearly \$8,500,000,000 might be increased if some of the proposals on the agenda might come ahead of the particular measure now pending?

Mr. VANDENBERG. I should like to know what the Senator means by coming ahead of it.

Let me ask the Senator a question, if he will permit me. He can go through the budget, and call all the items, and ask me which one comes first. The maintenance of the solvency and the credit and the meeting of the obligations of the Government of the United States is the first charge upon every Member of the Senate, upon the Treasury, and upon the Government of the United States. Where we are going to assign the obligation to do what in my judgment is calculated to save us from

serious jeopardy in respect to the national security is a matter which has to be decided by each Senator in his own conscience, and I do not know how we can possibly relate one item to the other. It entirely depends upon how pressing the necessities may develop to be.

The Secretary of Defense, and the Secretary of the Army, testified categorically before our committee that in the absence of some such plan as the one now before the Senate they will ask us at this session to double our appropriations for the Army, the Navy, and the Air Force. Suppose they ask us to double those appropriations, and say it is essential to the national defense. Would the Senator say that had a pretty high priority in our expenditure program?

Mr. WHERRY. I certainly would, and that is the very next item I am going to ask the Senator about, so as to the second item, the Senator agrees with me it should come ahead of the appropriation in the pending measure.

Mr. HATCH. There is no priority of appropriations, is there?

Mr. WHERRY. The Senator from New Mexico says there is no priority. No; but the Senator from Michigan said each of us has to solve in his own mind the question, where one item comes in and the other leaves off. I appreciate that, and I am merely asking the Senator's judgment.

My feeling is that the first obligation, as to which we are in total agreement, is the payment of the servicing on the debt, \$5,500,000,000. That comes ahead of everything else. I think the GI benefits come next. They amount to \$8,500,000,000, and they might amount to \$10,000,000,000 before this session is over. Third comes national defense, and I think we are faced with that now.

Mr. THYE. Mr. President, will the Senator from Nebraska yield?

Mr. WHERRY. I yield to the Senator from Minnesota.

Mr. THYE. The Senator speaks of the great national debt, the amount of money required to service it, and the amount of the appropriations necessary to take care of the GI's. All that indebtedness came about because we have just emerged from a great world war, which has cost us most of the money represented by our national debt, plus the obligations we owe to the GI's today.

If we could have prevented that war, we should not have either of these budget commitments with which we are confronted, and may God give us the wisdom now to take the necessary steps to prevent and to avoid the occurrence of another war. If we can avoid it, it will be the cheapest insurance we can take out.

Mr. WHERRY. Mr. President, every man on this floor will agree with the Senator's statement. It has not been very many months since some Members stood on the floor of the Senate and said, "Give this amount to Great Britain," and that it would accomplish what the Senator now suggests. It has been said time and time again that if we would spend the money under the Morgenthau plan, \$20,000,000,000, the result the Senator

desires would be brought about. We have raised the money and spent it, and we are nearer war today than we were when we authorized it.

It is said that what is proposed is a way to prevent war. Certainly all would subscribe to anything that would bring about that result. I would vote for an appropriation to avoid war just as fast as would anyone else. I was one of those who voted \$50,000,000,000 in less than 5 minutes when the war was on, and I would do it again. But that is not the point. The economy of the United States has to be preserved. Its financial stability has to be preserved. Our Government owes \$258,000,000,000, which is an enormous sum. There is no nation on the face of the earth which could even conceive of such a debt. It has to be paid, and it has to be serviced, and that comes first. The next item is the GI benefits, and there is not a man in the Senate who would want to take them back. Third is the military. I do not know what our defense is going to cost, but I shall go along with other Senators for whatever the military says is necessary. That suits me. We will vote the appropriations. If they are the same as last year they will run about \$11,000,000,000, and if we appropriate \$750,000,000 for scientific research, and add to that the amount the Air Corps is asking for, which I imagine all of us will support 100 percent, an amount in the neighborhood of \$3,000,000,000, the least we can count on is \$15,000,000,000. If we add fifteen billion and eight and one-half billion and five billion we have in the neighborhood of twenty-nine or thirty billion dollars.

I ask, with the national receipts we are now receiving, on the business our country is doing, which is around \$156,000,000,000 a year—that is the annual taxable income of our people—can we, provide for 880 bureaus, and then, not only appropriate \$5,300,000,000, for Europe, but, in addition, aid to China, and aid to the occupied areas? I do not know exactly what the total is now, but it is about \$9,333,000,000, less the difference between \$6,800,000,000 and \$5,300,000,000, which is \$1,500,000,000. Take \$1,500,000,000 from \$9,333,000,000, and we have the amount of aid to the 16 countries and the aid we have to give the occupied areas, Japan, Korea, the Philippines, and the others.

Can we add that to the present budget, with our receipts as they are today, and have anything left to pay on the debt, or to reduce taxes, and come out even?

The committee has stated that we can do it, but we will have to make sacrifices. I should like to ask the distinguished Senator whether we can do it and come out with a balanced budget, taking into consideration the receipts we expect in the fiscal year. That is certainly a practical question. I am asking for information.

Mr. VANDENBERG. Mr. President, in the opinion of the Senator from Michigan we can.

Mr. WHERRY. Has the Senator analyzed the situation?

Mr. VANDENBERG. Insofar as it is analyzable, we have.

Mr. KEM. Mr. President, will the Senator from Nebraska yield?

Mr. WHERRY. Just a moment. I think this matter is very important. If the man who is to be the Administrator is to be given the sole authority, with his advisory committee, subject only to the President, certainly the question I ask is one which should give him a great deal of concern. When we are proposing to appropriate these amounts, it should be done in the light of the ability of the Federal Government to pay not only the budget items, but to pay its way continuously down through the years.

I suggest to Senators present that before the war we had the largest taxable income in our history; I call it national taxable income—the volume of business on which income taxes and excise taxes could be figured. It ran ninety-eight and a half billion dollars in 1939, which was the largest volume of income the American people ever had before the war. Last year it amounted to \$176,000,000,000. Have we any assurance we can maintain that level of income?

Mr. BARKLEY. Mr. President, I wish the Senator would correct his figures. The Department of Commerce a week ago issued a statement in which it said that the national income for 1947 was \$197,000,000,000.

Mr. WHERRY. I deeply appreciate the suggestion of the minority leader. I was quoting figures the senior Senator from Virginia [Mr. BYRD] gave on the floor of the Senate not more than 6 months ago. Of course, if the income is larger, that is to be appreciated.

Mr. BARKLEY. Those are the official figures.

Mr. WHERRY. The point I make is that it is one thing to consider the needs of countries abroad, but it is highly important that we give consideration to the impact on the United States. I hear these matters discussed in the Small Business Committee. I know what the steel shortage is; I know what the petroleum shortage is; I know what the people of the country are saying.

I am merely asking for information. The question can be treated lightly, but the people of the Nation are going to expect the Congress to know where they are going—to know what they are doing financially to protect the business stability of the United States.

Mr. KEM. Mr. President—

Mr. WHERRY. I yield to the Senator from Missouri.

Mr. KEM. I desired to ask the Senator from Michigan whether in the calculations he is making he contemplates a reduction in the present income taxes.

Mr. VANDENBERG. I shall have to confess that the chairman of the Senate Foreign Relations Committee has not undertaken to act as a director of the Bureau of the Budget, or the Secretary of the Treasury, or as the chairman of the Joint Economic Committee in connection with this program. I think the Senator's question is justified, however, inasmuch as I allowed myself to be drawn

into an answer to what was a quite impossible question from the Senator from Nebraska, as I saw it.

It is my understanding, let me say to the Senator from Missouri, after consultation of the chairman of the Finance Committee, with whom the chairman of the Foreign Relations Committee cooperated to the extent of putting an amendment into the bill which transfers \$3,000,000,000 of the burden to the fiscal year 1948, that a tax-reduction bill—not passing upon its details or amount—is within the contemplation of the chairman of the Finance Committee in connection with the present legislation. That is the best answer I can make to the Senator. I think the chairman of the Finance Committee is the one to whom his question should be addressed.

Mr. WHERRY. Mr. President, there are other Senators who have some questions to propound.

Mr. HATCH. Mr. President, I rise to remark that, after having listened to the questions propounded by the Senator from Nebraska, of course, the welfare and the solvency of the United States are and have been always the first concern of all of us. He is exactly correct when he says that. But I believe the Committee on Foreign Relations explored every possible source of information. We were not unmindful of the questions the Senator from Nebraska has raised. We were not unmindful of the debt of the United States. We were not unmindful of the carrying charges. We were not unmindful of the debt we owe to the GI's. We were not unmindful of our obligation to provide for the national defense. We did not separately state, "this one is prior to that one." As a matter of fact I think the Senator from Nebraska has made some mistakes in his enumerations of priorities.

Mr. WHERRY. Does the Senator mean of the figures?

Mr. HATCH. No, the order in which they came. But I do not think we need discuss that. My thought has been and is that we must take all our obligations, including the public debt, our debt to the GI's, the national defense, old-age assistance, and all others, and discharge so far as we can the obligation to each and all on an equal and equitable basis. That is what the committee has tried to do. There is nothing in the bill which conflicts in any way with such an approach, because after all, the safety, the security, the economic recovery, the stability and the peace of the world has a high order and rank of priority. I do not think the bill will guarantee any of those things. But it does enter into, and becomes an important part in those considerations.

I am quite sure the questions the Senator from Nebraska has asked are sincere, and that he means all he has said, but I am sure his questions can all be reconciled with the general welfare of our country as a whole, and of the world.

Mr. WHERRY. Mr. President, I appreciate the remarks of the distinguished Senator from New Mexico. I appreciate the fact that he feels the questions I

asked were sincere and honest. They are. I have no dispute with the findings of the Foreign Relations Committee. I am simply trying to have an analysis made, so that we will know upon what basis the committee feels we can provide the proposed aid and at the same time meet our obligations at home.

It has been stated in the newspapers, and it is also indicated in the report, that those in authority believe that the proposed program can be carried out and that there will be sufficient money left to make some payment on the national debt, perhaps \$2,500,000,000, which I think is the lowest figure used, and that we may possibly have a \$4,000,000,000 tax reduction. That is what we hear. But the distinguished Senator will agree with me that as yet the general appropriation bills have not come before the Senate. I have not had information given me, nor has evidence been adduced by the Finance Committee on the subject. I supposed that when the Foreign Relations Committee suggested the authorization, it did so with the full knowledge that the program could be carried out on the basis I have outlined. I was simply asking the Senator from Michigan if he had an analysis of the figures involved.

I do not know whether the distinguished Senator from New Mexico was present—I know he is very busy with committee work—when I made the statement that the distinguished Senator from Virginia [Mr. BYRD] gave figures in the Senate not more than 6 months ago to the effect that our national taxable income for 1939, which was the largest national income we had enjoyed in any year before the war, was approximately \$98,500,000,000. That was income from all sources. That income has been increased, and last year it was \$176,000,000,000. The majority leader now states that the Secretary of Commerce has revealed that the income for the present fiscal year will amount to about \$190,000,000,000.

Mr. BARKLEY. Not the fiscal year; the calendar year.

Mr. WHERRY. I beg the Senator's pardon.

Mr. BARKLEY. And the income for this year will be \$197,000,000,000. A witness appeared before the Finance Committee this morning, former Under Secretary of the Treasury, John W. Hanes, who stated that the national income for last year was \$209,000,000,000.

Mr. WHERRY. It seems that the figures of national income go up when we need to make large appropriations. I am glad to see them go up, for, as I stated in my remarks, prior to the remarks of the distinguished Senator from New Mexico, I was apprehensive of our being able to carry out the program. I wanted to obtain information from those in authority as to how the Foreign Relations Committee had arrived at the general statement that the program can be carried out with the money available, and that the Government can continue on a balanced budget, with some debt reduction and some reduction of taxes as well.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Swanson, one of its reading clerks, announced that the House had agreed to the amendment of the Senate to the bill (H. R. 4023) to authorize the establishment of the De Soto National Memorial in the State of Florida, and for other purposes.

ENROLLED BILLS SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 703. An act to authorize the carrying of Civil War battle streamers with regimental colors;

S. 1195. An act to repeal the laws relating to the length of tours of duty of officers and enlisted men of the Army at certain foreign stations;

S. 1252. An act making certain changes in the organization of the Navy Department, and for other purposes;

S. 1528. An act to authorize the Secretary of the Army, the Secretary of the Navy, the Secretary of the Air Force, or the Secretary of the Treasury to accept and use gifts, devices, and bequests for schools, hospitals, libraries, cemeteries, and other institutions under the jurisdiction of the Department of the Army, the Department of the Navy, the Department of the Air Force, or the Department of the Treasury, respectively, and for other purposes;

S. 1802. An act to authorize the President to award the Medal of Honor to the unknown American who lost his life while serving overseas in the armed forces of the United States during the Second World War; and

S. 1961. An act to amend the act of December 3, 1945, so as to extend the exemption of Navy or Coast Guard vessels of special construction from the requirements as to the number, position, range, or arc of visibility of lights, and for other purposes.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. BALL. Mr. President, in line with the colloquy which has taken place between the Senator from Nebraska and the Senator from Michigan, I should like to ask the Senator from Michigan a question. In view of the fact that unquestionably, when we consider the authorization for the first year, there is going to be lengthy debate over the figures which, in the Senator's own words, are at best an "educated guess," and since the controversy will probably take place all over again when the Appropriations Committees of the House and Senate report the appropriation under the act, has the Senator considered the possibility of limiting the debate to just one round, instead of two, by eliminating completely any specific figure for the first 12 months, and having only one debate on the subject, namely, when the appropriation bill comes before the Senate? I ask that question because the bill provides that the RFC shall make immediately

available for the purposes of the act \$1,000,000,000. That means that the plan can operate for at least 2 or 3 months without any appropriation.

Mr. VANDENBERG. Mr. President, of course, the Senator is fully aware of the fact that we took out the over-all \$17,000,000,000 figure from the authorization.

Mr. BALL. I congratulate the Senator on that. I agree with him that no one can anticipate what the program will cost over the years.

Mr. VANDENBERG. It would simply make no sense to include the total amount originally suggested. But in the absence of that figure, the Senator from Michigan feels very keenly that if the bill is to indicate any substance whatsoever, at least for the next 12 months, it should assert what in the judgment of the Congress should be the ceiling authorization.

I can fully understand how it would simplify matters if we were to take the figure out of the bill, and reduce the bill to a more or less anonymous character which would really cease to deserve much debate.

I think there are two different functions in respect to an authorization figure and an appropriation figure. I can very well understand, for example, how the Senator himself might vote for an authorization of \$5,300,000,000 for the first 12 months of its operation, and subsequently confront in his committee testimony which indicated that a different figure would be appropriate. I think so far as the identification of a plan is concerned, we should put the \$5,300,000,000 figure in the bill and submit it to a review by the Appropriations Committee. I do not mean to imply for an instant that in my opinion the Appropriations Committee thereupon is entitled to reduce it. But I am trying to say that I think there are two different functions served by the act of authorization and the act of appropriation. Otherwise we would not have this system in the law. I think the authorization as identified in the bill reported by the committee is necessary to identify what the plan of the Economic Cooperation Act of 1948 contemplates.

Mr. BALL. The Senator, then, thinks there is a drastically different situation between the first year under the act and the succeeding years, because in the succeeding years, as I understand the mechanics, there will be no additional authorization of specific amounts. The whole thing will be up to the Appropriations Committee, with the help of whatever recommendations are made by the joint committee. Incidentally, I wish to congratulate the Senator and the Committee on Foreign Relations on including that provision. I think it should help tremendously in keeping Congress abreast of what is happening.

Mr. VANDENBERG. I thank the Senator for his friendly observations. What he says is precisely correct, in the opinion of the Senator from Michigan. The action we take today fundamentally and initially setting up the basis for this program and system is totally different from

that which each succeeding Congress will confront. So far as the Senator from Michigan is concerned, he believes that the Appropriations Committee in each succeeding year, being in the presence then of realities and not speculations and prophecies, will be amply qualified to make an adequate decision. But that is the appropriate procedure; and no subsequent specific authorizations are necessary.

Mr. BALL. I take it, then, that the Senator would be very much opposed to the procedure of having only one debate in the Senate on the amount. I see the Senator's point, which I think has considerable weight, but he was urging speed in passage.

Mr. VANDENBERG. I beg the Senator to restate his proposition. The Senator from Michigan is not opposed to having only one debate.

Mr. BALL. I was asking whether the Senator had considered eliminating the specific figure for the first year and leaving the blanket authorization for appropriations from year to year as it stands in the first part of that paragraph, suggesting to him that, since he is interested in speed in the passage of the bill, he would thereby eliminate the debate on the figure in the authorization bill and confine it to a single debate at this session on the appropriation.

Mr. VANDENBERG. The Senator from Michigan is interested in speed, for reasons which he has stated, and which the Senator from Michigan thinks are pretty obvious. The Senator from Michigan thinks the world is on fire. The Senator from Michigan thinks this is one hopeful fire extinguisher, and the Senator from Michigan would prefer to turn on the extinguisher before the fire entirely consumes its objectives.

Mr. BALL. I take it, however, from what the Senator has said, that he would be opposed to eliminating the specific authorization figure.

Mr. VANDENBERG. The Senator is correct.

Mr. KEM. Mr. President, will the Senator yield?

Mr. BALL. I yield.

Mr. KEM. Yesterday the Senator from Michigan spoke in very eloquent terms about Czechoslovakia and how every semblance of democracy had been gutted there. I should like to ask the Senator if he feels that the Marshall plan would have prevented infiltration by the Russians into Czechoslovakia in the manner in which it has just occurred?

Mr. VANDENBERG. I do not know. I do not know how we can apply the Marshall plan retroactively for purposes of speculation.

Mr. KEM. Can we not look back on the record? Is it not a fact that Czechoslovakia received from us approximately \$300,000,000, and that at the time this catastrophe occurred she had balances in our cotton fund and in other funds which she had not found it necessary or advisable to draw down? Is it not true that there was no evidence of any economic instability, or certainly no dire conditions in Czechoslovakia at the time this occurred?

Mr. VANDENBERG. I think the Senator totally overlooks the character of

the Czechoslovakian Government. If there had been a Czechoslovakian Government which was resisting Communist infiltration successfully, and if it had said to us that its economic stability required certain factors of support and assistance, and we had given it, under those circumstances I would have hopefully anticipated that this thing might not have happened. But there are no comparable circumstances between what was the situation in Czechoslovakia before the recent disaster and the situation in France and Italy.

Mr. KEM. Is it not a fact that we have given to Czechoslovakia generously, and with unstinted hand?

Mr. VANDENBERG. I assume the Senator is referring chiefly to our share of an UNRRA appropriation which, in the Senator's judgment, was pretty sadly managed, as he has repeatedly said.

Mr. KEM. But Czechoslovakia's share amounted to approximately \$300,000,000.

Mr. VANDENBERG. That is correct.

Mr. KEM. I notice in the testimony before the Senator's committee that it was developed that a large amount of farm machinery has been furnished to Czechoslovakia, and that it has been going forward up until almost the present time. I read from page 1332 of the proceedings:

Czechoslovakia managed to get along on \$110,000 worth of United States farm-machinery production in 1938, but required \$1,329,000 worth in 1946, a percentage increase over 1938 of 1,108.2 percent, and in the first 5 months of last year received \$1,133,000 worth, a percentage increase over 1938 totals of 930 percent.

I ask the Senator whether there is anything in the record which indicates that by this wall of dollars or American commodities or materials that he proposes to set up we can prevent the infiltration of communism.

Mr. VANDENBERG. Mr. President, I do not think there is the remotest parallel, I say frankly to my friend, the Senator from Missouri, between the two situations to which he refers. Neither do I think there is any wall of dollars by which we can keep communism out of western Europe. Neither do I think the Government of the United States is in a position itself to keep communism out of western Europe. But in the humble opinion of the Senator from Michigan, this plan is based upon a concept which involves agreements between 16 brave, struggling western European countries, many of whom are sitting literally under the gun of hazard this evening. It is based upon contracts with them, under which they agree to do certain specific things in pursuit of their own civilization, in pursuit of their own ability to stand on their own feet, in pursuit of their own ability to help sustain western civilization; and it is a concept which is as different as day is from night, from any parallel which my able friend can draw from the Czechoslovakian situation.

Mr. KEM. Mr. President, did I correctly understand my friend to cite Czechoslovakia as a warning to us to proceed with dispatch in the consideration of this bill?

Mr. VANDENBERG. The viewpoint of the Senator from Michigan is that the

entire world is on notice in respect to the aggressive tempo with which the Cominform, recently organized, is proceeding in the direction of communizing vast areas of the earth. It is the opinion of the Senator from Michigan that the nations that have joined in the CEEC, under this plan, have voluntarily subscribed to brave and constructive purposes which contemplate the re-creation of independent, free peoples who can defend themselves against aggression. Not only is such a result hoped for, but the chance of bringing it about is well worth taking. I hesitate to think what the alternative would be.

Mr. KEM. When the Senator finished his reference to Czechoslovakia, he referred to the kindred fate of brave little Finland. I should like to ask whether he thinks the passage of this bill and the setting up of the proposed administration under it will give us any assurance that it will prevent a like fate to poor little Finland.

Mr. VANDENBERG. Certainly it will have no effect whatever on poor little Finland, because Finland is not within the purview of the plan.

Mr. KEM. Have we any reasonable assurance that it will prevent the spread of communism, by the process of infiltration, into any country which is subjected to it?

Mr. VANDENBERG. Can the Senator from Missouri give me any reasonable assurance as to what the plans of the Politburo are in the Kremlin tonight, regarding their conquest of the west? If he can give me a reasonable assurance, I shall try to reciprocate it.

Mr. KEM. Obviously I cannot; but in this debate, suggestion has been made, although perhaps not by the Senator from Michigan, that we are presented with the alternative of world war III or acceptance of this plan.

Mr. VANDENBERG. The Senator from Michigan never presented such an alternative.

Mr. KEM. No; I do not think the Senator from Michigan did. But the general argument is that we must pass this bill if we do not want world war III to come. I am interested in knowing whether there was developed before the Foreign Relations Committee any evidence which would give a reasonable assurance that if we do pass this bill, we shall not have world war III.

Mr. VANDENBERG. I think it would be utterly impossible to answer the Senator's question with any degree of candor or integrity.

Mr. KEM. Then, the Senator from Michigan does not mean to present this to us as a substitute for national defense, does he?

Mr. VANDENBERG. Most emphatically not, nor as a sure reliance, but as the best of the calculated risks we confront; and I have tried to put it upon that basis as frankly as possible at all times.

Mr. KEM. I should like to ask the Senator whether he feels there is a calculated risk on the other side—one of the risks Washington warned against when he referred to entangling alliances?

Mr. VANDENBERG. I do not think this program involves any calculated risks of an entangling nature in respect to alliances of the sort the Father of his Country referred to. On the other hand, I think a very grave entanglement is inherent in the entire world situation at a time like this.

Mr. KEM. As I understand the plan, we shall have executory contracts with each of these 16 countries.

Mr. VANDENBERG. I do not know what the Senator means by executory contracts.

Mr. KEM. I mean a contract that will be carried out over a period of time.

Mr. VANDENBERG. That is correct.

Mr. KEM. Very well. It will be supervised by a large staff and by a roving ambassador, I understand.

Mr. VANDENBERG. It will be supervised by a competent staff. I do not know how large it will be.

Mr. KEM. It is within the realm of reasonable contemplation that frictions may occur in such relationships, is it not?

Mr. VANDENBERG. I certainly think it would be within the bounds of reason to think that frictions would not be impossible.

Mr. BALL. Mr. President, in connection with this colloquy, I have been very much interested in the headlines regarding the very able and eloquent presentation of the ERP bill which the Senator from Michigan made here yesterday.

Mr. VANDENBERG. I did not write the headlines.

Mr. BALL. I know the Senator from Michigan did not. But every headline I saw was to the effect that "Vandenberg urges ERP in order to prevent World War III." Those words, or almost identical words, appeared in the headlines; and they were supported somewhat by the text of the Senator's speech. I was startled to see that, because I did not hear the Senator from Michigan make any such statement during the course of his remarks here yesterday. So I was glad to hear the Senator clarify that point.

I should like to ask him whether he thinks this program should be sold to the American people—and, Mr. President, unfortunately the headlines do a great deal of selling, as the Senator from Michigan, himself a former newspaper man, knows—as a program that in itself will prevent or will play a major part in preventing World War III.

Mr. VANDENBERG. It is rather difficult to funnel the cataclysmic events of today down to one simple, final question, and then give the Senator a categorical reply. I think I did say at one point in my address yesterday that I thought this was one of the best ways to stop World War III before it started. If that is the statement from which the inference has been drawn, I am quite happy to make this further statement to my able friend the Senator from Minnesota: In the opinion of the Senator from Michigan, it is highly essential that all remaining free and independent governments in the world—free and independent pursuant to their own form of freedom and independence—should continue to be free and independent and should

continue to be autonomous. I think if they do continue to be free and independent, we shall be that much farther away from another world cataclysm, and that if they lose that independence and that freedom and that autonomy, we shall be that much nearer to some sort of a final clash in the world between the two rival ideologies. In the opinion of the Senator from Michigan, war is not only abhorrent to the American soul, it is not only violently repulsive to every native thought that we Americans have, but it ought to be totally unnecessary.

But in the opinion of the Senator from Michigan, the best way we can help influence the situation at the moment is to assist, within completely legitimate boundaries, the independent countries of western Europe to sustain the very gallant fight they are making in behalf of their own national survival.

It is also the opinion of the Senator from Michigan that if the Government of the United States and the people of the United States speak with finality in respect to its objectives and speak with a reasonably unified voice, the effect of that pronouncement will be very important and very persuasive and will be calculated to be a factor for peace instead of war.

Mr. BALL. It is but one factor.

Mr. VANDENBERG. That is very true.

Mr. BALL. Does the Senator agree with me that in the final analysis the decision as to whether the world finds some way of maintaining peace or is plunged into another war probably will not rest with the United States or with the free and independent nations?

Mr. VANDENBERG. I totally agree. But what I was trying to say to the Senator was that—

Mr. BALL. That the greater the strength that is built up on the side of free peoples the less the danger?

Mr. VANDENBERG. Yes; and the more strength we exhibit in the name of a united America the further we are away from disaster.

Mr. BALL. I may say to the Senator that the reason I want to emphasize the point is because in the years I have sat here in the Senate I have seen altogether too many foreign policy programs sold, or perhaps oversold, on a false basis. The United Nations Charter was sold to the American people as a sure means of preventing World War III. It has not worked out that way. The British loan was supposed to solve all the postwar problems of Great Britain. It has been exhausted within a year or so after it was authorized, and the problems are still there, perhaps intensified. Bretton Woods, the Monetary Fund, and the International Bank, we were told on the Senate floor, were going to meet the postwar rehabilitation problem. They are not meeting it. I am not accusing the Senator from Michigan, because I remember when we considered the Greek-Turkish loan program he characterized it then as he characterizes this program now, as a "calculated risk"—"not a very happy alternative but the best of the alternatives facing us." But I think it is very dangerous to have the

idea implanted in the minds of 140,000,000 American citizens, particularly the mothers and fathers who are worried about their youngsters, that merely by appropriating billions of dollars for aid to Europe we thereby make sure that we shall not have another world war, that we can relax our national defense program, and that we can pigeonhole universal military training or whatever alternative the Congress may decide is necessary in order to maintain this country in a position of strength to resist aggression, if and when aggression should ever confront us.

Mr. VANDENBERG. I could not agree with the Senator more thoroughly. Everything he said is correct in respect to the impropriety and the hazard of attaching any guaranties either to this legislation or to legislation of a kindred nature. The world is in such a state of flux that we cannot tell from one week to another, aye, from one morning to another, what the headlines will report in respect to the latest disruption somewhere around the globe. I think that in presenting this plan yesterday I was very careful to say repeatedly that there is no guaranty on earth of its success. In fact, I remember I said in conclusion that we are simply making our choice of alternatives, that if this fails at least we may have the consolation of having made a final effort which offers a real substance of hope, and that if it succeeds, everybody will be grateful for generations to come. There is no guaranty. With this plan there may be a war some day. Without the plan there may be no war. I prefer not to discuss it in terms of war, and yet I think we must discuss it in terms of reality. It seems to me it is a simple statement of reality when discussing whether or not there is to be another war that the success of this plan very effectively retards the probability of World War III, because it builds back into effective reality that element which is so essential, namely, the resurgent stability of those nations which with us represent western civilization. I think that does discount a prospective war, if the plan is successful. I think that is a fair statement. When the Secretary of National Defense and the Secretary of the Army come before our committee and frankly say that in the absence of some such plan as this they would feel it necessary immediately to seek heavily increased appropriations for the national defense, I think the only conclusion anyone can logically draw from that testimony is that they too assign to the peaceful utility of this scheme a very substantial effect not only upon our national security but upon the probability that the world can be kept at a peaceful level.

Mr. BALL. Mr. President, I thank the Senator from Michigan for that statement. I was not even by remotest implication criticizing him, because as I listened to his speech he was scrupulous in making it very clear that this was a calculated risk, at the best it was one of two possible alternatives, neither one of which was a happy one. But I can assure the Senator from my own contacts with the people in my own State and in other States that unfortunately far too many

people in America have the mistaken impression that this is a virtual guaranty that we can avoid war and perhaps relax our national defense effort. I am glad the Senator has corrected that misinterpretation by what he, I thought, very plainly said on the Senate floor yesterday.

Mr. VANDENBERG. The Senator understands that that does not detract for an instant from my feeling that this plan is equivalent literally to armies in its value by way of national security.

Mr. BALL. In that connection, as I read Secretary Marshall's initial statement to the Foreign Relations Committee, I understood him to say that in terms of national security and strengthening the cause of freedom in the world, the ultimate objective of this plan was, over a period of 3 or 4 or 5 years, to build sufficient economic strength and stability into the western European countries so that they could support some military power, and that one of the major difficulties in Europe today is that western Europe is a power vacuum with a tremendous Soviet war machine only 100 miles east of the Rhine. Of course if the plan would succeed in that purpose, then in 3 or 4 years when that power is there, of course the chances of those countries in a world war III and the security of the United States would be greatly strengthened. I unfortunately have not had time to read the record of the hearings conducted by the Committee on Foreign Relations, but in that connection I wonder if any member of the committee asked the Secretary of National Defense which in his opinion, would be the best investment and the best risk for the security of the United States, to invest billions of dollars in a recovery program in Europe which, if it is successful, will accomplish this building up of power at the end of 4 or 5 years, or the investment of a like amount in strengthening immediately our own armed forces.

Mr. VANDENBERG. I know of no such question being submitted to the Secretary. I hardly think the question is justified, because I believe there are many different elements involved in the two alternatives. I do not believe the Senator can make a parallel choice between the two. Yet I entirely agree with the Senator that the passage of this bill certainly will not authorize any citizen to go to sleep on the theory that our hazard is over and that our problem is solved. That is not true.

Mr. BALL. Three things have worried me in regard to this program. One is how long the United States can stand the situation of having exports in excess of imports, which unquestionably weakens our economy and puts a terrific strain upon it. How much can we spend without seriously injuring our own productive strength and stability? I think the Senator will agree with me that if the United States ever faces economic bankruptcy, then the cause of freedom will be finished in the world, because no one will have a Marshall plan to bail us out.

Mr. VANDENBERG. That is axiomatic.

Mr. BALL. That is one thing that has worried me. Another thing is, what

chance has this program of really achieving economic recovery and not being merely a dole, which, as the Senator himself said, would be "operation rat hole"? If we weaken our own economy over 3 or 4 years and at the end shall have built up no strength and stability, no counter-balancing power in western Europe, we shall be worse off than if we had never undertaken the program, because we shall be weak and have no compensating strength.

Mr. VANDENBERG. I do not know whether we shall be worse off. It depends on whether we have sense enough in the interim to attend to our own national-security needs.

Mr. BALL. There is a limit to how far we can strain our economy in peacetime when we reject the kind of totalitarian regimentation or mobilization that we might find necessary, and undoubtedly will, if there shall be another war.

I cannot accept the premise that the only reason for Europe's difficulties is war damage. That is undoubtedly the major part of it. I think our own mistaken policies in Germany which have deliberately held down the level of production in an area which always has been the workshop of Europe, particularly of western Europe, have been a major factor in bringing about the present economic difficulty in all of western Europe. It also seems to me that the policies of those governments, their exchange rates which were unreal in that they did not reflect actual purchasing power of their currency, together with the multiplicity of price controls, have contributed a great deal to the situation. Every time a producer turned around he had to get a permit from some Government bureau. As we found out for ourselves, that discourages production. Then there is the tendency, in spite of their economic weakness at the end of the war, to indulge in new experimentation programs in nationalization and social security which, in some cases, we do not think we are prosperous enough to afford.

I think that is one major reason why the nationals of those 16 countries have in the United States, according to the Treasury reports, \$14,000,000,000 of bank accounts in short- and long-term assets which they are holding here. They are not themselves patriotic enough to invest those dollar funds in the recovery of their homelands, whereas we are asking American taxpayers to take risks with their money which the nationals in those 16 countries are not willing to take with their funds.

Mr. VANDENBERG. What was the figure which the Senator used?

Mr. BALL. Fourteen billion dollars is the figure I got from the Treasury.

Mr. VANDENBERG. And that is defined as what?

Mr. BALL. Bank balances, long- and short-term assets held in America by nationals of the 16 countries.

Mr. VANDENBERG. Does that include business operations of foreign corporations in the United States?

Mr. BALL. It includes stock holdings, bond holdings, and everything of that kind, as I understand.

Mr. KEM. Mr. President, will the Senator yield?

Mr. BALL. Not at the moment.

Mr. VANDENBERG. Does it include factory installations owned abroad?

Mr. BALL. Not owned abroad. They are assets held in this country.

Mr. VANDENBERG. I meant factory installations in this country.

Mr. KEM. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. THYE in the chair). Does the Senator from Minnesota yield to the Senator from Missouri?

Mr. BALL. Not at the moment.

The PRESIDING OFFICER. The Senator from Minnesota declines to yield.

Mr. BALL. It seems to me that those nations obviously do not encourage their own nationals to bring their assets back and invest them in the recovery of their own countries. That is one major issue in the whole question. Another one is the political situation in Europe which the Senator himself referred to yesterday. In the 2 years since the end of the war one country after another has been picked off by Soviet Russia. In Hungary the Red army took control. In Czechoslovakia there was a ruthless minority that convinced the President of Czechoslovakia that if it got control it would either rule or ruin the country. Finland seems to be headed for the same kind of capitulation, because there is no way existing at the present time to stop this blotting out of freedom in one little country after another in Europe.

With such power as western Europe has—and from the testimony we have heard from our own Army officials we know what little resistance could be offered if the Red army decided to roll—it is apparent that all the peoples there and their governments are living in constant fear of tomorrow. They cannot possibly have confidence in the future in the presence of that tremendous, aggressive war machine which is 100 miles east of the Rhine. To me the events of the last 2 years have been too terrifyingly like what happened in 1938, 1939, and 1940, except that the timetable seems to be a little faster. Living in the shadow of such fear, how can we expect economic recovery?

I think the Senator would agree that confidence in tomorrow, confidence in the future, is essential if men and women are to invest their savings and their labor in building for the future. If there is no confidence in the future, either because of the fear of outside aggression or minority subversion within the country, the fear of ultimate socialization of the enterprise they might build, then, unless we can find some way by which to restore such confidence, at least to some degree, what chance of success has this program of economic recovery? It seems to me, in view of the events of the past few weeks, it is like asking men and women to build a factory on the side of a volcano which is already erupting.

Can the Senator tell me of any program, any policy, of this administration aimed at curing that political situation, restoring some confidence in the people

of western Europe, so that they can build and work for tomorrow, and not live merely from day to day? I have not seen any evidence of it. It seems to me we are playing by ear, that we are drifting from one crisis to another, and each one catches us completely unprepared with any policy to meet it.

Mr. VANDENBERG. Mr. President, if the Senator is asking me to disclose the plans of the Executive in respect to the crises which the world now confronts, he has applied at the wrong window, because I have no information on the subject.

So far as the literal situation in which these people live is concerned, I think the Senator is quite correct that it requires an amazing degree of bravery for them, in the midst of their own continuing disintegration, to stand up against a threat which is as insidious as this threat is, as a result of its internal subversions, to say nothing about it hazards as an external threat to the sheer physical existence of countries and peoples.

The Senator says they must have some sense of security as a basis for economic hope. I think the Senator can sustain that thesis. On the other hand, I think that is somewhat true vice versa. I think that if they can have economic hope in any degree it is an equally substantial encouragement to continue resistance to subversion at home and threatened invasion from abroad.

The Senator has referred to the failure of some of the other devices which have been proposed during the past 2 years. To a considerable degree those devices have failed in many instances. I hesitate to think, however, where the world would be today if the devices had not been used and had not been available, because they at least contributed to the maintenance of a continuing situation to which we can address ourselves with hope.

Confronted as these western European countries are at the moment by the imminence of a repetition of recent events, I would think that nothing could strengthen their arms, encourage their hearts, put steel into their souls, to continue their self-reliant defense against invasion from abroad or subversion at home—nothing could encourage them quite so much as to hear that the Congress of the United States, with expedition and faith, was sending them word that we are prepared to cooperate with them for four and a half years on a basis of cooperative aid, to restore them to solvency and stability, if they through self-help and cooperation will undertake to join with us in the effort.

It seems to me that if they were to hear day after tomorrow that the Senate had abandoned the necessity for extraordinary debate over details, in the presence of the situation which we all know the world confronts, and had decided to at least make this authorization as a demonstration of our willingness to stand with western civilization in a common cause, I think it would have an utterly electric effect in the countries the program is designed to assist. Furthermore, I think it would have exactly the opposite effect beyond the curtain, where

the powers that be may be making other plans.

In reverse, I ask the Senator whether he can contemplate a greater tragedy or calamity in the history of the last 100 years than the impact upon these western European countries on the rim of the Atlantic, struggling in the shadow of an ominous threat, living in almost day-to-day terror, if they were to hear tomorrow that the Congress of the United States had declined a plan of European cooperation. What does the Senator think would happen in western Europe, and how long does he think it would be before the curtain came down to the very beach-heads of the Atlantic Ocean?

Mr. BALL. Mr. President, I will say to the Senator that I think it might be pretty discouraging. I do not know whether that would have been true if the Marshall plan had never been proposed. Unfortunately, the people abroad have grown to expect and perhaps be far more dependent than they should be on American help. Possibly the people of Italy, in the elections on April 18, may elect so many Communist members that they will come into the Russian orbit, or they may be taken in by force. But I do not see much chance of France and the lowlands going behind the iron curtain, except by the use of external force, and I would assume that such external force could not possibly reach them without colliding with American armed forces in western Europe. That might be tragic.

Mr. VANDENBERG. What the Senator is saying to me and what I am saying to the Senator finally come down to the fact that we are both realists in viewing the situation. I think that as realists we have very frankly to say to each other that there are utterly no guaranties available in respect to any plan anyone may propose or adopt in this very uncertain moment in the evolution of history.

I merely say to the Senator that in my final judgment, recognizing all the uncertainties to which he refers, declining to offer the Senator one single guaranty in respect to the proposed legislation, as I tried to make plain yesterday, still I think that as a human problem—and in the last analysis it is fundamentally a human problem—I would rather take the chance of one more effort for just nine more months, when we can review it all again in the presence of reality—one more effort for nine more months to help the bravest people on the face of this earth, as they are proving themselves to be by their struggles at the moment in the presence of peril—I would rather take a chance for nine more months to see if a reasonable degree of cooperation, put on a thoroughly practical basis and under realistic supervision, may not produce possible stabilities not only in western Europe but inevitably thereafter in most of the world. I would rather take that chance than do any other thing I can think of with \$5,000,000,000 at the present moment.

I know of no bargains that war has. I think that peace does have a bargain once in awhile. Perhaps this is one. I am irrevocably of the opinion that it is well worth finding out.

Mr. BALL. Mr. President, I appreciate the Senator's position, and his deep sincerity, but I perhaps would not go so far as he does in believing that economic stability is so tremendously important in this picture, because as I have watched the onward sweep of Soviet tyranny in the past 2 years, it has seemed to me that the economic situation of the peoples who one by one were pulled behind the iron curtain had very little to do with what actually happened to them; that the threat of Communist aggression in the world is exactly identical with the threat of Nazi aggression in the thirties. It is a power threat. The Communist ideologies have no appeal to any people who have ever known freedom, however hungry they may be. That certainly was true in Hungary. I think it was true in Czechoslovakia, where, in the final analysis, one of the leaders of the Socialist Party sold his country down the river. It is certainly true in Finland. The people of Finland are hard up. They are working hard. They are hard up because of the reparations payments they must make to Russia. But it will not be because of economic hardship that little Finland goes under. It will be because she is facing a tremendous concentration of power with which she is helpless to deal.

Mr. VANDENBERG. I quite agree with the Senator.

Mr. BALL. The serious thing about the program is that I see no signs that the administration has any policy or program, either individually or in concert with other individual nations, or through the United Nations, to solve that problem of pure Soviet power aggression. It seems to me that until it is solved the chances of recovery in Europe or anywhere in the Old World are rather scarce.

This plan is, as the Senator says, a calculated risk. It seems to me that without some parallel program to solve the political problem in Europe it is not too good a risk in terms of achieving its objective of recovery and being more than a mere dole. Somehow there must be found some way, it seems to me, to give those people some confidence in tomorrow, some evidence that whenever the Comintern timetable calls for it, they will not be ruthlessly rolled over.

I should like to know what is the thinking of the Senator from Michigan, who is in a position to know the whole picture much better than I do, as to what we can do in that picture. I have letters on my desk today from men who fought 4 and 5 years in the last war, in which they say, "What are we thinking of to let it happen all over again and do nothing?" They remember all too well how little Czechoslovakia was sold out at Munich, and later on we all became involved in World War II. What can we do? I realize the Senate cannot originate foreign policies, but what are we doing in that situation? What can we do? Should we be moving in the United Nations, where Russia, by the use of her veto, has made empty the United Nations' hope of developing real authority and power to preserve peace? Maybe it is time we moved there in some way to get rid of the veto, that obstacle to the nations who want peace, or at least want to get together. What is hap-

pening today is that one by one the Russian bear is pulling all nations into its lair. Until the nations can get together and unite their forces in some way, I do not see any real chance for economic recovery in western Europe. I should like to know what the Senator's thinking is on that point.

Mr. VANDENBERG. The Senator from Michigan will scarcely undertake to speak for the administration in respect to what plans it may have in mind looking down the long-range view in respect to the things to which the Senator from Minnesota refers. The Senator from Michigan has said time and again publicly that the United Nations must be made to work either within its present structure or within one which permits it to work. I would not undertake to spell that out on the floor of the Senate this afternoon under any circumstances. I would not even want to seem to intimate that I know how to spell it out. I simply say that in my view it must be spelled out.

I agree, as I tried to say yesterday, that it is indispensable that we should move swiftly into western Europe and consolidate and stabilize that situation. I am not at all sure, speaking of the United Nations, that the possibilities of regional arrangements do not offer something worthy of study in the aspect of the area to which the Senator refers. I completely agree that security is at the base of the whole necessity which we confront.

As my able friend from Minnesota knows, the plan which is in the bill persistently looks forward to the closest possible consolidation of the western European countries. The only consolidation which we dare identify at the moment, because it is the only one within our legitimate jurisdiction, is economic consolidation. I doubt whether some of the brave little countries associated in the CEEC would at the moment care to hazard an experiment in the way of expansion from economic to political consolidation as a part of this program. But in the long view the Senator has said nothing by way of objectives to which the Senator from Michigan does not subscribe.

On the other hand, Mr. President, it seems to me that every word my able friend from Minnesota has uttered underscores the fact that the problem here confronting the Congress of the United States calls for adequate and early action to indicate that from the one great available source of inspiration on earth in respect to the human rights and fundamental freedoms there is a plan and a

purpose to cooperate on a practical basis toward the achievement of practical results.

Mr. President, all I can say is that I am still expecting that my able friend from Minnesota will argue himself into substantial agreement with my own point of view before he has finished, and when the clerk says "Mr. BALL" I am still looking forward to the probability that the Senator will say "yea."

Mr. BALL. Mr. President, I would be delighted, I may say to the Senator, to find myself on the same side as the Senator from Michigan on this issue, which I agree with him is tremendously vital, and I think is one of the toughest I have faced since I came to the Senate so far as its effect upon the future of the people of the United States is concerned. We cannot know all the answers and the alternatives that face us, none of them very happy.

I certainly shall be no party to delaying a vote on the bill. I agree with the Senator from Michigan that speedy action is essential, whatever the action may be. But I cannot agree with him that all we need to do is to evolve an economic policy aimed at stopping this steadily rolling avalanche of Soviet power, because I think it is power that is at the bottom of the whole thing. I am not so sure but that it is not the main reason why our other relief programs have failed so miserably to accomplish what we had hoped of them. I think the need for speedy action on the overriding-power problem is every bit as urgent as is the need for action on the economic problem. It seems to me that for too long now, 2½ years, we have been trying to stem the tide of ruthless power aggression of Soviet communism by dollars, by appropriating billions of dollars of American help. As nearly as I can see, it has not slowed up their timetable 1 hour. If anything, it may have speeded it up.

Mr. President, I shall not attempt to press the Senator from Michigan further as to what his ideas are with respect to the answer to that problem; but in my opinion it is far more important than the economic recovery program, because I cannot see that a single nation where the lights of freedom have been blotted out by Communist subversion or aggression has gone under because of economic difficulties. That has not been the root of the problem. Until we find and develop some policy to checkmate the onrolling avalanche of Soviet power—naked, completely ruthless power—frankly I am not optimistic about the

chances of any recovery program for Europe succeeding.

Mr. President, I have some other questions and ideas about which I wish to talk, in relation to other features of the bill; but the hour is late, and we have given the Senator from Michigan quite a work-out today. I think I can postpone further discussion until tomorrow.

Mr. VANDENBERG. Mr. President, I should not want the Senator to cease firing on my account.

Mr. BALL. It is 25 minutes past 4, and I would rather discuss some of these questions in connection with amendments which I hope to have ready.

Mr. VANDENBERG. I think that is the sensible procedure.

RECESS

Mr. WHERRY. Mr. President, we have concluded the work of the Senate for this afternoon. I now move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 4 o'clock and 22 minutes p. m.) the Senate took a recess until tomorrow, Wednesday, March 3, 1948, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 2 (legislative day of February 2), 1948:

NATIONAL MEDIATION BOARD

John Thad Scott, Jr., to be member of the National Mediation Board for the term expiring February 1, 1951.

RECONSTRUCTION FINANCE CORPORATION

TO BE MEMBERS OF THE BOARD OF DIRECTORS OF THE RECONSTRUCTION FINANCE CORPORATION FOR TERMS OF 2 YEARS FROM JANUARY 22, 1948

Harvey Jones Gunder-	Henry A. Mulligan
son	John D. Goodloe
Henry T. Bodman	Harley Hise

DISTRICT OF COLUMBIA REDEVELOPMENT LAND AGENCY

Richard R. Atkinson to be a member of the District of Columbia Redevelopment Land Agency, for a term of 5 years, effective on and after March 4, 1948.

UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA

Harold M. Stephens to be Chief Justice of the United States Court of Appeals for the District of Columbia.

James M. Proctor to be an Associate Justice of the United States Court of Appeals for the District of Columbia.

UNITED STATES ATTORNEY

Leslie E. Given to be United States attorney for the southern district of West Virginia (now serving under an appointment which expired October 2, 1947).

House of Representatives

TUESDAY, MARCH 2, 1948

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Our Eternal Refuge, as we face the mysteries of life and its duties, let Thy spirit lead us to pledge a nobler dedication and render a more devoted service.

O Ruler of Nations, bless Thou our Speaker and all Members; give to them good health and wisdom; and sanctify the moral fiber of their lives that they may work and grow together through these uncertain times, devoting their time and talents to the exacting duties of their high and honorable office.

Blessed Master, open Thy fountain of mercy to all our homes; may no plague of illness or sorrow shadow their hearthstones. Inspired by Thy holy example, help us to be radiant in spirit, tireless in service, and joyous in seeking to do Thy will. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 5525) entitled "An act making appropriations to supply urgent deficiencies in certain appropriations for the fiscal year ending June 30, 1948, and for other purposes."

PERMISSION TO ADDRESS THE HOUSE

Mr. ALLEN of Illinois. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

CONGRESSIONAL AVIATION POLICY COMMITTEE

Mr. ALLEN of Illinois. Mr. Speaker, I know well that every Member of Congress who believes in modern methods of warfare feels that they owe a debt of gratitude to the 10-man bipartisan Congressional Aviation Policy Committee for the great work they did regarding our national defense, covering a period of 7 months.

Holding that air power is our chief defense against modern weapons of warfare, they urge adoption of its plan for some 35,000 airplanes. The board urged the military and Atomic Energy Commission to give high priority to development of atomic propulsion for aircraft.

The report criticized the failure of the Joint Chiefs of Staff to submit a unified

defense plan. The report says steps must be taken, first, to resolve the conflict that is delaying a unified military plan; second, to start building a 70-group air force with 20,541 planes and a naval air arm with 14,500 planes; third, to give top research priority to applying atomic power to aircraft; fourth, to develop a Federal airways system with ultramodern equipment for all-weather, large-volume flying, to serve both civil and military needs.

The board held that military and civil aviation are indivisible and recommended steps to strengthen the air lines and the manufacturing industry, along with improved education in schools and colleges, and wider participation in private flying.

In the current atomic age, the board found defense plans must take into account the possibility of an attack without warning on our centers of war potential. They declared that it is imperative that an air-warning network be extended in all directions from which an attack might be expected. In this connection, the board recommended a realistic program of recruiting and training of air-reserve personnel in both air and ground echelons."

The Government should sponsor, the board said, the design and development of prototype transport and cargo aircraft intended primarily for commercial use, but suitable for certain military purposes, funds being earmarked for this specific purpose.

It is interesting to know that the board did not recommend the regimentation of the youth of America by forcing them, against their will, to military conscription during peacetime.

I want to go on record as giving my full support to the findings of this bipartisan board. In my opinion, their recommendations should have the full support of Congress.

CORRECTION OF VOTE

Mr. CHURCH. Mr. Speaker, on roll call No. 15 on last Friday, February 27, I am recorded as voting "nay." I voted "yea." I ask unanimous consent that the RECORD and Journal be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

EXTENSION OF REMARKS

Mr. FULLER asked and was given permission to extend his remarks in the RECORD on the late Honorable Clarence E. Hancock.

Mr. SMITH of Wisconsin asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. RIVERS asked and was given permission to extend his remarks in the RECORD and include a statement by Admiral Nimitz on the Holloway plan.

PERMISSION TO ADDRESS THE HOUSE

Mr. BUCK. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

CAPTAIN OR COMMISSAR

Mr. BUCK. Mr. Speaker, who runs an American merchant vessel—the captain or the commissar? Commodore Harry Manning, master of America's greatest merchant vessel, declares that the commissar possesses greater power and authority. I imagine Capt. W. R. Marson of the freighter *Augustine Victory* would testify similarly were he able. He was hospitalized last Sunday after having been beaten up by his crew.

After months of consideration, I have today introduced a bill by whose terms the Coast Guard may utilize criteria of character and record in the granting of tickets to merchant seamen similar to those already utilized in granting licenses to merchant officers. Its enactment will transfer control from the forecabin to the bridge.

PERMISSION TO ADDRESS THE HOUSE

Mr. RIVERS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include an editorial and other matter.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

ANTI-LYNCHING LEGISLATION

Mr. RIVERS. Mr. Speaker, it is a sad commentary that the Republicans in their eagerness to embarrass one Harry Truman are losing the only opportunity you ever had in your lives since we beat you in 1864 to make friends with the South. In your eagerness to embarrass Harry Truman you are lynching the Constitution and the Nation; in effect, you are burning down the house to get rid of the rats. You are shooting at the wrong bird, because Truman is already a dead bird. We in the South are going to see to that. When I said here on the 3d of February that the South was not as solid as the heads of some of the leaders, I was not kidding you. You will see that in the next election we are not going to vote for Truman. You had better make friends with the people in the South while there is still time.

out than in the case of the Home for Aged and Infirm in Frankfurt. Again it should be reiterated that this is only one typical case selected at random out of many.

This institution was founded in 1816 and was originally a workhouse, but later developed into a home into which aged men and women (to the number of 300) purchased a life residence out of their meager savings and, in addition any additional savings which they possessed were entrusted to the institution which paid them interest on it. These entrance fees and savings funds constituted the main portion of the working capital of the home, and consequently under inflation it found itself utterly unable to provide for its inmates or to pay the small amounts of interest due them from the savings which had been entrusted to it. Furthermore, as inflation progressively advanced, great pressure was brought upon the home to aid more and more people who themselves were rendered poverty stricken by the disastrous economic conditions which inflation was producing. Obviously the home had to refuse further aid, no matter how necessitous the circumstances.

An idea of the astronomical character of Germany's inflation may be visualized in the fact that the food bill for the home in the fiscal year 1923-24 reached a total of 23,293,366,276,337,266 paper marks (the item for black bread alone was 2,986,973,878,061,080 paper marks), while it cost 10,246,434,361,231,396 paper marks to supply heat for the establishment. The income from all investments during this year, reckoned in paper marks, covered less than 3 percent of the food bill alone. And whereas in 1914 the income of the home from its investments amounted to more than two-thirds of its total receipts, in 1923-24 it was less than one-seventieth of the total. In short, the home itself became dependent upon the city of Frankfurt for aid, and hence lost its character as a self-supporting institution, whose large and growing endowments had enabled it to meet an expanding need in the community.

WELFARE INSTITUTIONS IN AUSTRIA

Endowments of charitable and welfare institutions in Austria fared worse than those in Germany, because, even though in the former currency depreciation did not go so far as in the latter, Austria did not revalorize as did Germany. Without going into detail, a survey made in 1927 shows that only about 6 percent of the charitable institutions in Vienna in 1914 still remained, that their capital and revenues were only 1 percent of the 1914 total and that they were rendering assistance to only 2 percent of the people cared for in 1914.

THE SITUATION IN THE UNITED STATES

With the above examples in mind can it be doubted as to what would happen under inflation to endowed institutions in the United States? Whether they are educational, welfare, or charitable institutions the result would be utter disaster.

Consider first that over one-half of our higher education is being carried on by privately supported colleges. Consider also that the endowments of such institutions total over \$1,500,000,000. Consider, finally, that endowments of this character are considered to be of such great social importance that in the words of E. W. Kemmerer: "We protect many of them by special laws which restrict the investment of trust funds to a limited and supposedly safe field of investments. In these restrictions, high-grade bonds and mortgages are favored, and common stocks are usually disfavored. This policy is enforced both by law and by traditional public opinion." (Endowments in Jeopardy, the Atlantic Monthly, December 1937—p. 737.)

For example, six of our best-known endowed educational institutions are Harvard, Yale, Princeton, Cornell, the University of Chicago, and the University of Pennsylvania. As of 1936 the total endowments of these

universities reached a total of \$355,000,000. Of this total about \$311,000,000 was invested in securities, and of this sum approximately \$213,000,000, or nearly 69 percent, was invested in fixed income securities such as bonds and mortgages as against only \$98,000,000 invested in equities consisting mostly of common stocks. This 69 percent is an average, be it said, for Princeton University has nearly 83 percent of its invested endowment in fixed securities and Harvard has over 72 percent of its endowment so invested.

While this example covers only educational institutions, the type of investment made by charitable institutions is of an exactly similar character and would be subject to the same disastrous consequences under inflation.

And once these endowments were impaired or destroyed, how would they ever be restored. To quote Professor Kemmerer again:

"In the face of our large and growing governmental control of business, in the face of increasing resort to highly progressive income, inheritance, and gift taxes on the part of both our National Government and the States, taxes whose combined rates in the higher brackets are already the highest of any advanced country in the world, and in the face of the commonly neglected fact that inflation continually pushes all taxable incomes into higher and higher brackets, although the real or purchasing power value of these incomes may be actually declining—in the face of such facts, who will restore the endowments of these educational institutions if they are greatly depreciated or destroyed by inflation?"

To sum up, then, the ultimate threat of inflation to endowed institutions is as expressed in the words of Professor Kemmerer:

"Excessively burdensome government debts are usually not paid by taxation. The political resistance to taxes adequate for the purpose becomes too strong. Such debt burdens are usually reduced to politically workable proportions by inflation. The burden is thereby shifted largely from vigorously protesting taxpayers who have votes by the millions to bondholders and other 'economic royalist' creditors whose numerical protest at the ballot box is weak. In this class belong our privately endowed colleges, universities, scientific research institutions, and hospitals. In America the greatest and most irreparable damage that unsound monetary policies and Government financing by inflation threaten is the undermining of these great public-welfare institutions."

Sources: The greater part of the material presented above was derived from the following sources:

1. Inflation and After, Philip G. Wright (published by the Duke University endowment).

2. Inflation, E. C. Harwood and Donald G. Ferguson, American Institute of Economic Research.

3. Endowments in Jeopardy, Prof. E. W. Kemmerer, Atlantic Monthly, December 1937.

TABLE I.—Inviolable endowments of the University of Frankfurt-am-Main
(Values in marks)

Name of endowment	Face value of investments in 1922	Revalorized value, 1928	Percent recovered
Leo Gans	999,353.10	132,708.92	13.28
Karl Kohn	51,200.00	625.00	1.22
Ladenburg	37,353.57	4,321.82	11.57
Cohnstaedt	17,075.79	1,842.16	10.79
Adickes	29,651.98	3,630.88	12.24
Merton	300,000.00	37,500.00	12.50
Neufville	100,000.00	12,000.00	12.00
Ellinger	6,937.90	850.85	12.26
Economic Institute	46,000.00	2,875.00	6.25
General Welfare Institute	100,000.00	12,500.00	12.50
Flersheim	1,200,000.00	147,500.00	12.29
Fade	100,000.00	12,500.00	12.50
Wolf	10,200.00	1,250.00	12.25
Kotzenberg	300,000.00	67,438.12	22.48
Anonymous	175,426.35	16,500.00	9.41
Bethmann	250,000.00	31,250.00	12.50

TABLE I.—Inviolable endowments of the University of Frankfurt-am-Main—Con.

[Values in marks]

Name of endowment	Face value of investments in 1922	Revalorized value, 1928	Percent recovered
Hauck	100,000.00	12,500.00	12.50
Emden	136,000.00	3,400.00	2.50
Braunfels	537,757.00	69,721.10	12.97
Edinger	350,000.00	43,750.00	12.50
Anna Edinger	250,000.00	124,999.00	50.00
Oppenheim	250,000.00	16,025.00	6.41
Sulzbach	257,464.60	32,141.15	12.48
Speyer	653,909.20	236,198.93	36.12
Budge	257,464.60	32,197.04	12.51
Jakob Schiff	329,000.00	206,500.00	62.77
Beit von Speyer	257,464.60	32,197.04	12.51
Ludwig Braunfels	30,304.00	3,015.45	9.95
Lucius Meister	726,961.00	58,809.99	8.09
Neher	102,984.00	12,887.00	12.51
Passavant	252,270.50	37,833.90	15.00
Tornow	462,520.00	3,711.85	.80
Varrentrapp	107,060.00	16,275.00	15.21
Weinberg	606,475.20	38,349.75	6.32
Wertheimer	100,000.00	24,995.33	25.00
Jugel	1,111,343.45	106,508.43	9.58
General Welfare Institute	2,000,000.00	225,000.00	11.25
Bardorf	1,225,366.62	167,095.01	13.64
Total	13,827,453.46	1,989,403.77	14.39

Source: Inflation and After, Philip G. Wright, Duke University endowment fund.

TABLE II.—Foundations for the care of children and young people in Frankfurt

Name of foundation	Assets		Percent recovery
	1914	1925	
Kroger	5,319	14	.26
Katzenstein	101,346	20,988	20.71
Marx	1,056	6	.57
Tatzerath	2,320	14	.60
Feist	73,535	4,697	6.39
Kroger	2,571	642	24.97
Neufville	11,800	62	.53
Bachmann	5,700	512	8.98
Kroger	2,571	321	12.49
Grenedeich	857	107	12.49
Hocklin	500	62	12.40
Lehnemann	1,560	387	24.84
Henrich	447	64	14.32
Stempel	51,000	5,634	11.05
Kaufmann	115,000		
Knott	120,000	34,008	28.34
Lindheimer	25,516	3,118	12.22
Salomer	20,000	2,500	12.50
Infants Home	210,000		
Heidelberg	90,000	27,175	30.19
Thorwart	50,000	5,656	11.31
Treser	5,562	4	.07
Strauss	25,345	5,565	21.96
Total	921,999	111,536	12.10

Source: Inflation and After, Philip G. Wright, Duke University endowment fund.

TABLE III.—Foundations for the poor and for welfare work in Frankfurt

Name of foundation	Assets		Percent recovery
	1914	1925	
Schumann	113,905	17,800	15.63
Ettling	40,735	54	.13
May	63,766	15,450	24.23
Siebert	25,062	3,135	12.51
Ehinger	548,670	54,488	9.93
Stiebel	10,300	1,250	12.14
Siesmayer	2,000	250	12.50
Hiller	10,456	1,256	12.01
Kratz	44,841	16,643	37.12
Von Reinach	60,000	765	1.28
Von Rothschild	127,320	14	.01
Von Rothschild	31,315	1	
Rosenlecher	17,040	2,129	12.49
Sakermann	5,075	134	2.64
Von Schwartzkopf	703	75	10.67
Steffens	4,312	438	10.16
Steuernagel	155,800	18,110	11.62
Rucker	954,197	158,994	16.66
Speyer	480,000	120,000	25.00
May	12,200	1,518	12.44
Margarethen	58,750	8,874	15.10
Textor	45,887		
Schmey	286,924	53,373	18.60
Heister	341,121	30,000	8.79
Zeh	657	69	10.50
Miedinger	331,464	18,221	5.50

TABLE III.—*Foundations for the poor and for welfare work in Frankfurt—Continued*

Name of foundation	Assets		Percent recovery
	1914	1925	
Middle class fund.....	7,841		
Lindheimer.....	326,797	40,000	12.24
Welfare fund.....	56,206	5,082	9.04
Clauer.....	198,545	12,520	6.31
Heussenstamm.....	150,000	25,252	16.83
Home for the aged.....	1,136	164	14.44
Scherbins.....	270,008	32,205	11.93
Frank.....	20,000	2,250	11.25
Hamburger.....	122,183	9,312	7.62
War survivors.....	437,000	5,437	1.24
Total.....	5,372,216	655,515	12.20

Source: Inflation and After, Philip G. Wright, Duke University endowment fund.

The New Plan for European Recovery

EXTENSION OF REMARKS

OF

HON. RALPH W. GWINN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, March 1, 1948

Mr. GWINN of New York. Mr. Speaker, I am proposing a new plan for European recovery. The Marshall plan originated in Socialist Europe. It is admitted that the Europeans devised it so that the Socialist elements in our own State Department would continue to finance their Socialist cabinets abroad.

Without exception, American political dollars have helped to entrench the Socialist elements, and defeated our friends who fought for freedom against socialism.

Ever since VE-day they have deceived Americans into a kind of pathetic trust that our political dollars delivered to Marxist state Socialist planners would reestablish freedom, politically, socially, and economically. They also played upon our fear and sentimentalism, even our hatred of communism, as a means to peace, reconstruction, and freedom to the nations. We have acted up to now in ignorance of the facts and against all reason and logic. Our failure is as revealing as it is tragic.

Look at Soviet Poland where we handed Mr. Bierut and his camarilla \$448,000,000 since VE-day, while he and his fellow Socialists delivered Poland to the Soviets. Look at Soviet Czechoslovakia, where Mr. Klement Gottwald received \$257,000,000 before he crushed, only yesterday, the Czech nation under the hammer and the sickle. Today her Communists and Socialists have united to work for the same boss. Look at the Soviet Hungary of Mr. Rakosi and Soviet Albania. Above all, remember how we strengthened Tito, until he made his tyranny complete in Yugoslavia with the help of \$303,000,000 in American goods and services.

This total of \$1,053,000,000 speaks with a mighty voice of what mere dollars will do, to Europe and to us, if we permit this self-defeating and treacherous policy to continue. No billions of dollars can change the basic truth that a Socialist

planned economy can only operate in an absolute police state. So far, without exception, it has merged into communism without a fight.

Since that is the underlying drift in this twentieth century, we must tell both our own people and Europe that unless the creative and productive genius of free men and women is again released, there can be no economic recovery. A plan, therefore, that finances Socialist governments instead of free individuals in commerce and trade is no plan at all for Americans.

When I felt compelled to vote against the so-called interim aid to Europe in the special session, December 1947, I had earlier voted both for the British gift of \$3,750,000,000 and for the gifts of \$400,000,000 to Greece and Turkey. Our party voted for these immense gifts because it was sincerely hoped that these billions, together with all the other billions of dollars previously given, would provide the freedom-loving people of these nations with still another breathing spell. They needed it in order to recover their own freedom from the groups of political and economic tyranny found in power when they returned to their own homes after fighting tyranny abroad.

No such resurgence of freedom has taken place. On the contrary, Socialist cabinets are actually in control of every western European country except Holland, Belgium, Portugal, and Switzerland. The whole European economy is fast becoming that of a controlled statism, operated according to the false and pernicious bible of Karl Marx. What sense is there in making fine distinctions between their socialism and outright communism?

Take Great Britain, the land of Adam Smith, where a Marxist cabinet has led the nation ever further down the treacherous and liberty-killing road of not less but more nationalization. Winston Churchill has stated that the Socialist cabinet squandered \$700,000,000 of the American loan in Egypt and India alone. Sir William Darling, of the British Parliament, has repeatedly pointed out that the money from America helped the British Socialist Government to inaugurate a 5-day week, higher wages, shorter hours, and a British brand of slow-down, feather-bedding, underproduction, price fixing, currency control, and inflation with general compulsory management of trade and commerce, including the land itself. In brief, free England is abjectly subject to a handful of planners in London.

The lamentable end result is an economic situation which the London Economist just recently called bankruptcy. Its editors explained that the Socialist planners had used the previous gifts of \$4,750,000,000 from America to live and to spend on a scale out of accord with Britain's real economic position.

And what guaranty is there—

The Economist asked—

that the Marshall plan may not be used in the same way?

Mr. Speaker, the guaranty on the basis of experience is that it will be used the same way.

Instead of loaning, trading or giving as free American men and women to the free men and women of England to strengthen their individual freedom we weakened it and abandoned our own ideals in all our dealings with them.

Because our whole postwar policy for world recovery was built on the utterly false and self-defeating principle of supporting temporary socialist cabinets with billions of dollars, our assistance has failed miserably in arousing the freedom instinct in the peoples of Europe. Where are the free democracies of the west? Not England, not France, not Italy?

Witness the failure in France, a nation which did not, by comparison, suffer any extensive material destruction from World War II. One would think that the \$2,260,000,000 which we Americans recklessly but hopefully sent to France, would have resulted in a great productive and economic renaissance in the French people. Instead, France is just gasping for another billion dollar transfusion from America. And then another, and yet another.

For more than three post-liberation years, the French cabinets fixed an artificial value on currency. Farmers could not produce food at the Government ceiling prices, nor would they accept the inflated francs in exchange because they could not get what they wanted and needed for their farms and families. So they simply quit shipping food to Paris and other cities. During 1946-47, the French farmers took more than a million acres out of wheat production. The cities starved because the socialist government deceived them into thinking they could work 5 days a week and slow down and yet be rich with Government price fixing and issuance of currency to pay higher wages. This man-made French starvation American taxpayers have been deceived into financing. This despite the fact that half of our own American people are already struggling with a family economy which has reached the breaking point and should not be forced to pay taxes for such outlandish purposes.

Yet M. Leon Blum and other notorious foes of economic freedom flew into Washington, D. C., to tell their dishonest sob stories of a bleeding France. France was not bleeding. She was simply mismanaged and corrupted by promises that the city people would not have to work hard any more and that purchasing power could be created by printing more money.

Look at Scandinavia, which we Americans some years back were told to regard as "the middle way." The idea was that the Scandinavian countries had proved, alone among all the nations, how it was possible to reap all the blessings of socialization without paying the price of economic tyranny. The heroic resistance in Denmark and Norway against nazism seemed to prove that these Scandinavians would never yield an inch of their freedom.

Now let us read a paragraph of the almost incredible law which the Norwegian labor cabinet pressed through the Norwegian Parliament with the help of the Communists.

The law reads:

The King or whomsoever he shall authorize shall make such regulations as are found to be necessary to regulate and control: (a) Prices, profits, and gains of all kinds; (b) production, distribution, and all other economic enterprise, for the purpose of counteracting harmful competitive activity, or other economic conditions which shall be held to be unreasonable or harmful to the public interest, or to advance a rational organization of the (national) economic life.

To the extent to which it is found necessary to further said aims, the King or whomsoever he shall authorize may inter alia also make regulations of the following kind:

(1) Forbid producers to curtail or stop production, distribution, or other economic activity.

(2) Decree that new plants must not be erected nor existing plants expanded without his approval, or that production, distribution, or other economic activity must be parceled out among the producers according to the directives hereunder, or that the production in any plant must be curtailed or stopped.

(3) Decree that producers produce certain articles or perform certain services at the prices stipulated and fulfill other conditions which are decreed. No order made hereunder shall vary the purposes for which any plant shall be organized.

This law in one of the stoutest and most highly regarded of the 16 nations is now typical of all of them with few exceptions. Their laws are as totalitarian in economics as any human logic can conceive and write.

Individual freedom is gone. Inventiveness, creativeness, imagination is dead. The State is all and over all. And certainly it would be foolish to expect that human nature would care to exert itself under such an economic slave system. The truth is that as long as the Marshall plan is going to operate on the basis of government-to-government control, you can write off European recovery as impossible and a bad dream. No man or woman will for long endure hard work and austere living just for the sake of keeping Marxist bureaucrats satisfied.

The new plan for recovery encourages and supports the elements in rebellion against statism, and not the elements of oppression inherent in the socialism most of the 16 countries now have.

Let me quote the recent words of Mr. Sigurd Hoel, until recently a leading Socialist intellectual of Scandinavia:

They are clamoring for the state. The state must take over. The state must take over everything. In the end, the state takes us over. And then I must say that I prefer to be exploited and suppressed by a person rather than by the state.

Such people who fight for freedom are our only friends. We should finance them because we can trust them.

Instead of that we have financed our actual and potential enemies throughout eastern Europe and now all our friends there are silenced.

If we continue to finance the same forces, our enemies of freedom in western Europe, we shall have not one friend left on the Continent. And we shall deserve it.

However, since the anti-Marxist freedom forces of Europe—farmers, business-trade and shipping people, builders, teachers, clergy, and professional people—today are close to or in some

nations exceed 50 percent of the population, they will soon take the lead, if we do not defeat them. It is perfectly superfluous to point out that it is the men and women of these creative groups that built European civilization into its former greatness. They can do it again. They are worth financing.

II

So if it is freedom and recovery we are after in western Europe, it is now clear that the Marshall plan of government-to-socialist-government controlled funds contradicts the very purpose we seek to accomplish. This House therefore must write a completely new bill, embodying the principle of individual economic responsibility, free individual self-assertion in things economic without the deadly encroachments of state planning. To do otherwise is to deny our own faith and abandon those in Europe capable of making a recovery.

The new plan invites the free movement of men and materials from us to the people of Europe as distinct from their temporary socialist overlords. We ask them to join with the free peoples of North and South America in a crusade for the rebirth of free economy on both sides of the Atlantic.

I emphasize the point about getting the South American nations to take an active part in this recovery crusade as full and equal partners with Europe and the United States.

It is imperative that such nations in South America which have essential contributions to make to the exports of food, fuel, and fertilizer to Europe, at long last, be invited to the expanded circle of the cooperating ERP countries. Political considerations demand such an arrangement. The economic reasons are equally obvious. Otherwise, we may soon see the Secretary of State appear on this Hill with a Marshall plan for the Western Hemisphere. And what insolence it would be to expect the other nations of this hemisphere to advance credit and adjust their prices for the benefit of a program in which they have no voice whatever.

Now turning to the new plan itself. It follows quite closely the suggestions of the 16 nations in their Paris meeting in the fall of 1947. A careful examination of the Paris report by the CEEC—State Department Document 2930, European Series No. 28—leads to the astonishing discovery that the 16 European nations did not come to us, asking us to foot the whole bill.

They offered to carry much of the financial burden themselves. They did not expect any American lend-lease.

On page 51 of the above-mentioned Paris report we read that the European nations proposed to meet part of the expenses by "the expenditures of other financial resources by the participating countries." Inasmuch as these countries have a total amount of gold and dollar assets of \$13,312,000,000 as reported by the International Monetary Fund, the 16 nations will be able to reduce requirements by \$1,000,000,000 from the \$6,800,000,000 total, originally proposed.

When the public was finally told that Switzerland has \$2,620,000,000 in assets, Netherlands \$1,481,000,000, Belgium \$1,016,000,000, it seems apparent that \$5,800,000,000 of new financing is an ample over-all figure for the first 15 months.

Next, we find that the Europeans expect to finance certain of their ERP purchases "by the repatriation of capital after the restoration of internal financial stability—ibid., page 54. Now, inasmuch as our own Treasury has informed us that it has found \$750,000,000 of hoarded assets held by Europeans here, such assets are available to meet the different and respective countries' purchases within the ERP. To the \$750,000,000, we can add a further \$750,000,000 of hoarded assets, which can be found in Europe itself, once the vast amount of billions of hidden assets again come out of hiding.

Although the Paris report states that it does not propose to give solutions for the payment problem—ibid, page 50—it does make the observation about the International Bank that "the bank's recent report shows the important part which it should be able to play"—page 54. The Paris meeting expected that \$918,000,000 for equipment, other than agricultural and mining machinery, for 1948 might be financed by "loans from the International Bank or other credit operations." So the new plan looks to the World Bank to lend \$800,000,000 for capital goods, the "private investment" which the Paris report hopes for—ibid, page 54—would certainly be forthcoming.

The European proposals for financing some of the recovery expenses by their own financial resources, by hoarded assets, by loans from the World Bank and other credit operations, including private investments, should all be written into the new bill. We simply take the 16 nations' own proposals.

When steps have been taken to invite the South and Central American export nations to partnership in ERP and assurance given them that their own needs of heavy equipment and plants will become an integral part of an over-all export program carried on by this country price adjustments and credits in Central and South America might well rise to a \$500,000,000 total on the purchases by European nations of food, fertilizer and fuel.

A similar amount of \$500,000,000 may be deductible for sinking prices in our own country in 1948-49 as compared with the prices of July 1, 1947, upon which the ERP figures were built. World conditions, market and production conditions, and the needs of our own people demand that our prices go down within the next half a year. If they go up, our own domestic economy will burst at the seams and the whole ERP may have to be called off.

The new plan provides that \$1,000,000,000 for American purchases of strategic materials required for our stockpile of which we are dangerously short, such as tin, chrome, manganese, nickel, copper, lead, zinc, bauxite, and so forth, be purchased so as to contribute to the recovery program. This sum is already in the armed forces budget and if passed, as it no doubt will be, requires no new appropriation.

Another \$1,000,000,000 credit should be provided by the United States through the Export-Import Bank, so that the European nations could feel that the whole cooperative effort is on a mutually responsible basis. Above all, the ERP must on every turn and in every chapter, be written so as to make maximum use of direct trader-to-trader contact. Regular prewar trade channels must be given a maximum chance to operate. We do not want another UNRRA hierarchy with thousands and thousands of highly paid bureaucrats and experts, who excel in self-importance because they lack any true motivation of real service in the cause of free trade among free peoples.

Finally, \$500,000,000 shall be set aside as a gift of the American people to relieve suffering and hunger wherever it may appear. This contribution shall be distributed through the regular established channels for the distribution and administration of charity. If required we propose the organization of World Relief, Inc., a private organization comparable to the Red Cross to which private gifts would be made and supplemented by Congress when required. The unadvertised, unheralded good that has come from person to person giving and that will continue to come from such giving where the spirit of the giver may go with the gift will do the good for the morale required above all else for this suffering world. A bill to carry out this plan will be offered presently.

It will be designed to furnish a living, tangible example of American faith in the workings of free men through the regular channels of trade, commerce and giving between the citizens of two hemispheres.

To summarize:

Total demand for European recovery for 15 months.....	\$6,800,000,000
Deduct resources mentioned by the European countries in Paris report.....	1,000,000,000
Leaving.....	5,800,000,000
Repatriation of capital hoarded by Europeans found by U. S. Treasury in United States of America.....	750,000,000
Leaving.....	5,050,000,000
A further sum hoarded in Switzerland and other countries of Europe available when confidence is restored.....	750,000,000
Leaving.....	4,300,000,000
International Bank loan as expected by Paris report..	800,000,000
Leaving.....	3,500,000,000
Western Hemisphere loans outside the United States of America.....	500,000,000
Leaving.....	3,000,000,000
Deduction for falling prices since Paris estimates.....	500,000,000
Leaving.....	2,500,000,000
United States of America purchase of strategic materials for defense already in budget (no new appropriation required).....	1,000,000,000
Leaving.....	1,500,000,000

United States of America subscription to capital of Export-Import Bank.....	\$1,000,000,000
Leaving.....	500,000,000
Gift for relief of hunger through private channels..	500,000,000
Leaving.....	0

Hon. Frank B. Keefe

EXTENSION OF REMARKS OF

HON. JOHN JENNINGS, JR.

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 2, 1948

Mr. JENNINGS. Mr. Speaker, our colleague, the Honorable FRANK B. KEEFE, from Wisconsin, during his almost 10 years as a Member of the House has achieved a national reputation.

His thorough knowledge of the fiscal affairs of the country, and his power in debate have made him widely sought as a speaker. He has championed Republicanism and Americanism in all parts of the country. The following editorial which I include as a part of these remarks is a fitting tribute to FRANK KEEFE:

[From the Daily Northwestern, Oshkosh, Wis., February 16, 1948]

TALK OF KEEFE FOR VICE PRESIDENT

At an overflow gathering of Republicans of the Sixth Congressional District, held Saturday evening at Fond du Lac, with a banquet at the Retlaw Hotel, the major speaker of the occasion, Senator HENRY C. DWORSHAK, of Idaho, paid high tribute to the record of FRANK B. KEEFE, of Oshkosh, Representative of the Sixth Congressional District, and sincerely and vigorously suggested that Mr. KEEFE would make an excellent Vice President of the United States.

In fact, he told interviewers that the Idaho delegation to the Republican National Convention, to be held next June at Philadelphia, intends to propose the name of the Oshkosh Member of Congress for that position. Mr. KEEFE recently delivered a speech in Idaho and made such a deep impression that the decision to place his name among the candidates for Vice President was the result.

The Idaho Senator said that, of course, Mr. KEEFE would be out of the running if a midwesterner should be nominated for President by the GOP convention.

The Sixth District Congressman, who introduced Senator DWORSHAK in terms of high praise for his courageous record of opposition to the huge appropriations sought by the New Deal administrations, indicated surprise at the mention of his name for Vice Presidential place, but added that he had heard of talk in various parts of the country linking him with the Vice Presidential candidacy and expressed appreciation for that consideration, remarking that stranger things than that have happened.

Senator DWORSHAK and Congressman KEEFE became Members of the Seventy-sixth Congress in the same year, 1939, and the Oshkosh man long has been a hard-working Member of the House Appropriations Committee, endeavoring to hold down administration appropriations to essentials and force the practice of economy in Government.

In advancing the idea of Mr. KEEFE for Vice President on the GOP national ticket, the Idaho Senator declared he knew of no one better qualified for the Vice Presidency, or even the Presidency, and that the Oshkosh

Representative has been a fearless crusader for honest government and the American way of life.

He said further that it has been hard to accomplish anything against New Deal opposition in the hectic New Deal days, that most of the difficult work of reducing appropriations and bringing about economy in the Federal Government is done in committee rooms and it is there that Mr. KEEFE has been a tower of strength.

In introducing the Idaho Senator, Representative KEEFE, stated his conviction that the Republican Party is the only one that can solve the problems ahead. He said he liked his job in Congress because of the work there is to do.

The suggestion of Mr. KEEFE as a Vice Presidential candidate brought expressions of approval on the part of many of the Republicans at the Lincoln Day dinner and produced a greater realization than ever that the Oshkosh man occupies a prominent place at Washington as a veteran national legislator and is widely esteemed for the services he has performed both on a district and on a national basis.

In his address Senator DWORSHAK charged the New Deal administration of national affairs with being inconsistent and illogical as to foreign policies, and the result has been a serious delay in the establishment of peace. It was his assertion that the claim that American foreign policy is bipartisan is an error.

"In some instances," he said "Congress has been permitted to give its approval to pre-arranged plans, but the lack of information as to details of the secret agreements negotiated at Tehran, Yalta, and Potsdam has placed full responsibility for failure of foreign policy squarely upon the New Dealers."

One of the features of the dinner meeting, in which over 600 were served and the overflow had to be accommodated in dining rooms other than the main one, was the opportunity given supporters of several rival candidates for the GOP nomination for President to be heard in boosting their favorites.

William J. Campbell, of Oshkosh, who is a candidate for delegate at large at the State Presidential preference primary to be held April 6, spoke for Gen. Douglas MacArthur for President and urged a delegation pledged to him as Wisconsin's favorite son. He said MacArthur would not get this country into war and that no military man chosen President has ever done that.

Lester Bradshaw, of Milwaukee, put in some good words for Gov. Thomas E. Dewey, of New York, emphasizing the New York Governor's opposition to Communists.

William G. Van Pelt, of Fond du Lac, paid compliments to Harold Stassen, former Governor of Minnesota. He said Stassen makes his own decisions and that these decisions have proved right. The people, he declared, know exactly where he stands on the issues and as Governor he made a record for cutting the Minnesota State debt and the property taxes. He is also for fewer Federal employees.

Brooklyn's Congressional Delegation and Palestine

EXTENSION OF REMARKS OF

HON. ABRAHAM J. MULTER

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 2, 1948

Mr. MULTER. Mr. Speaker, the Brooklyn congressional delegation has long been aware of the desperate situation in Palestine and, while doing every-

there is a solid opinion that he repented that sin and that he is happy with God in heaven right now.

But why the talk about Adam? Because it is through him that we are literally made cousins. We are all kin one to another. We all have the same grandparents—maybe a great, great, great to the nth degree, but still, we're all members of the same human family.

Some of our cousins are Irish and some are Swedes; some are Syrian; some are Japanese. What of it? We'll never know, in this life, the color of Adam's complexion. The Bible is wisely silent on this point.

As for our religion, over here in America, at least, we're all divided up among Catholics, Protestants, and Jews. Whatever our creed, each of us is sincerely convinced that ours is the belief God wants us to follow. And we know that conscience, if we follow it, is going to lead us straight to God our Heavenly Father.

These considerations are presented in view of American Brotherhood Week extending from February 22 to 29. It's a time for renewing our convictions on the very real brotherhood of man through the blood of Adam and Eve, under the spiritual parenthood of the Almighty God in heaven.

Truth of National Service Life Insurance Surplus Should Be Told

EXTENSION OF REMARKS

OF

HON. PAUL W. SHAFER

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 2, 1948

Mr. SHAFER. Mr. Speaker, the National Underwriters, in its issue of February 20, carries an editorial which in substance states that President Harry S. Truman estimates the surplus of national service life insurance will reach \$7,300,000,000 by June 30, 1949. I figured you and the public might be interested to know how this is being accomplished.

Bear in mind that the NSLI was organized to pay death claims resulting from war service. It was only these claims that the private insurance companies could not afford to pay. NSLI was given a "blank check" on the Federal Treasury for the purpose of keeping the company solvent. As far as life insurance agents and the public were concerned, that was all.

Now, it is revealed that the total claims attributable to war were not paid from this fund, but from the Federal Treasury in whole. Only deaths coverable by the private life insurance companies were charged to NSLI. This resulted in about \$3,000,000,000 expense, so I am informed, charged to the Federal Treasury, which should have been charged to the NSLI fund.

In fairness to the taxpaying public and to the insurance fraternity, I would like to see that the Federal Treasury is reimbursed for the fake robbery that has occurred before NSLI is permitted to declare a surplus of any kind and distribute a dividend.

The life insurance men of the United States were the main supporters and backers of NSLI on the principles of its organization. The present accumulation of dividends and the tremendous amount

of publicity on this subject make unrealistic and unfair results as compared to the present accomplishments of life insurance companies. The public has been led to believe that insurance sold by private companies could be much cheaper than it really is, if the companies were willing to forego profits. And this publicity comes from Government sources at the very time the private companies still do most of the contact work in connection with NSLI.

Mr. Speaker, the insurance men of this country—the companies, the agents, and the men who work on debts and earn their living by selling insurance—deserve better than they have been getting from Uncle Sam on the NSLI deal. The people ought to know the truth about how certain agencies have used double book-keeping to make the public think that something is true that is not true at all. Congress ought to get to the bottom of this insurance mix-up and see to it that the people get the whole truth and nothing but the truth.

European Recovery Plan

EXTENSION OF REMARKS

OF

HON. CHET HOLIFIELD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 2, 1948

Mr. HOLIFIELD. Mr. Speaker, the European recovery plan, commonly known as the Marshall plan, will be considered soon by Congress. Senate bill 2202 has been reported from the Committee on Foreign Affairs of the Senate. Under unanimous consent, I include in the RECORD an informal summary analysis of this bill. It was prepared by the Committee for the Marshall Plan to Aid European Recovery. This committee is composed of a broad, representative cross section of prominent Americans. The Honorable Henry L. Stimson, former Secretary of War, is the national chairman.

SUMMARY ANALYSIS OF S. 2202, THE VANDENBERG-CONNALLY BILL

FEBRUARY 25, 1948.

1. ADMINISTRATION

The bill establishes an Economic Cooperation Administration headed by an Administrator of Cabinet rank who is in charge of the program. In Europe there is to be a special ECA mission in each country, reporting to the Administrator. The head of each such mission will rank immediately after our Ambassador or Minister, and will assure performance of ECA operations.

The Administrator and the Secretary of State are required to keep each other informed of current and prospective actions of mutual interest, both in the United States and abroad. Any disagreements that cannot be settled between them will be referred to the President for decision.

The bill also establishes a special representative with the rank of Ambassador to act as our representative at the continuing organization to be established by the participating countries. He may also be designated United States representative on the Economic Commission for Europe. He is to work in cooperation with the chiefs of the ECA missions.

The Administrator is responsible for determining whether aid shall be made available on a cash, credit, or grant basis, or in return for materials for stockpiling. In making these determinations, he is to act in consultation with the National Advisory Council, of which he is to be a member. The determinations are to be based on the character and purpose of the assistance, and on ability to pay. The administration of credits decided on by the Administrator is to be handled by the Export-Import Bank with funds allocated for the purpose by the Administrator.

The Secretary of State, after consultation with the Administrator, is responsible for negotiating the agreements provided for in the bill.

The bill provides for a bipartisan Public Advisory Board to advise the Administrator and also for a Joint Congressional Committee to make a continuous review of programs of United States economic assistance to foreign countries.

2. SCOPE, PERIOD, FINANCING

Countries eligible to participate include the 16 nations (with their dependent areas) which signed the Paris report plus any other European country (including the occupation zones and Trieste) that adheres to the joint recovery program.

The bill authorizes the continuance of the program to June 30, 1952. It authorizes an appropriation of \$5,300,000,000 for the first year after enactment. It likewise authorizes an advance of \$1,000,000,000 from the RFC to be repaid from appropriations.

Three billion dollars of the first appropriation are to be charged against the expenditures of the fiscal year 1948 even though expended during the fiscal year 1949.

3. COMMODITIES AND PROCUREMENT

The bill authorizes the Administrator to make available any commodity or service (except merchant vessels; see below) that is needed for the program.

The Administrator may furnish commodities procured by the United States Government or may make funds available to the participating countries or their agents to be used in making purchases from private suppliers, under approved supply programs.

Commodities or services may be procured either in the United States or elsewhere.

4. LOCAL CURRENCY

Under the bill the participating country will put into a special account the local currency equivalent of goods and services made available as a grant. Each agreement with a participating country must provide that the country will use these funds only in ways agreed to by the country and the Administrator. The disposition of the balance remaining on June 30, 1952, must be approved by Congress.

5. COOPERATION WITH UN AND OTHER INTERNATIONAL AGENCIES

In addition to the duties of the special representative (see above), the bill authorizes the Administrator, in the President's discretion, to perform his functions or any part of them "by acting in cooperation with the United Nations or with other international agencies." The President is also authorized to use the services and facilities of UN or its affiliated agencies, and to pay for such services from ECA funds. The President is to transmit copies of his reports to Congress to the Secretary General of UN and agreements are to be registered with UN as required by the charter.

6. BILATERAL AND MULTILATERAL AGREEMENTS

Each participating country must agree to promote industrial and agricultural production, to establish sound currency and a valid rate of exchange, to cooperate in stimulating international trade, to make efficient use of all available resources including assets of its nationals in the United States, to facilitate transfer of materials for stock-piling, to set

up special local currency accounts, to publish reports on operations, and to furnish information.

7. PROTECTION OF THE DOMESTIC ECONOMY

In providing for procurement of commodities in the United States, the Administrator is to minimize the drain on United States resources and the impact on the domestic economy, and must avoid impairing the fulfillment of the vital needs of the people of the United States.

To the maximum practicable extent, petroleum is to be procured outside the United States, and the installation of petroleum-consuming equipment is to be discouraged, where alternative practices are feasible.

When long-supply United States agricultural commodities are being procured for transfer by grant, proportionate quantities of the various types of such commodities are to be procured, where practicable.

8. MISCELLANEOUS PROVISIONS

A. Strategic materials

The bill provides that the agreements with recipient countries should include the supplying of raw materials for stock piling by the United States, under reasonable agreed conditions. It also provides for the use of funds to enlarge productive facilities for such raw materials in the recipient countries for such purpose. It also provides that such materials may be applied in payment for aid.

B. Joint continuing organization

The Administrator is to encourage the joint continuing organization of the participating countries to establish a follow-up system to insure that each country is making efficient use of its resources.

C. Guaranty of private investments

The bill provides that up to 5 percent of the total funds appropriated may be used to guarantee the exchange convertibility of funds realized from investments made by United States investors in projects approved by the participating country and by the Administrator. The guaranty is limited to the amount of the investment and applies only to currency conversion, not to business losses.

D. Ships

The bill permits the Administrator, with the approval of the President, to put into operating condition not more than 300 surplus dry-cargo vessels, and to charter these ships to participating countries.

E. Termination of assistance

Assistance will be terminated if a country does not abide by its agreement (and if no other remedial action is feasible) or if, because of changed conditions assistance is no longer consistent with the national interest of the United States.

NOTE

The Export-Import Bank is a United States Government corporation established "to aid in the financing and to facilitate exports and imports and the exchange of commodities between the United States * * * and any foreign country or the agencies or nationals thereof."

Its loans are supposed to offer reasonable assurance of repayment, and are repayable in dollars, with interest.

The National Advisory Council on International Monetary and Financial Problems was established by the Bretton Woods law. Its members include the Secretary of the Treasury (Chairman), Secretary of State, Secretary of Commerce, Chairman of the Board of the Export-Import Bank, Chairman of the Board of Governors of the Federal Reserve System. The function of the NAC is to coordinate all our foreign fiscal policies. The United States executive directors of the International Bank and the International Monetary Fund attend all meetings of the NAC.

The Housing Problem

EXTENSION OF REMARKS OF HON. MARGARET CHASE SMITH

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 2, 1948

Mrs. SMITH of Maine. Mr. Speaker, housing for veterans, housing for war workers who are returning to their homes, housing for couples who have been living with their in-laws continue to be problems unsolved.

As a member of the Naval Affairs Congested Area Committee, I saw many war-housing projects developed and knew considerable about housing problems, so while there is a serious shortage of housing, I have been watching the disposal of some of these war-housing projects.

I visited Redbank Village when in Portland and talked with several members of the Redbank tenants' council so that I could get first-hand their reasons for wanting the sale of these houses postponed.

The Lanham Act was a wartime measure. It authorized housing and other projects that would help municipalities carry the burden arising from war production. This act calls for the disposal of temporary housing, but Redbank Village is of permanent construction and the houses are in excellent condition, so I asked the Federal Works Agency under what authority these are to be sold, and request that the reply of the Administrator of the Housing and Home Finance Agency be inserted herewith.

Following Mr. Foley's letter is one received from Rev. Charles W. Crooker, chairman of the disposition committee, which is confirmation of my discussion with him. I believe this will be helpful to others interested in the proposed disposition of public war housing.

HOUSING AND HOME FINANCE AGENCY,
Washington, D. C., January 29, 1948.
Hon. MARGARET CHASE SMITH,
House of Representatives,
Washington, D. C.

DEAR MRS. SMITH: I have your letter of January 20 requesting information as to the jurisdiction of the Redbank Village housing project in South Portland, Maine, in consideration of prospective disposition of the project.

Redbank Village was built as a permanent war housing project under the provisions of the Lanham Act which covers both temporary and permanent war housing, and it is under the jurisdiction of this agency. I believe from your inquiry that you are particularly interested in the policy and procedure in effect in disposing of the permanent war housing projects, and I would like to take this opportunity to outline for you the circumstances upon which our policy for moving ahead with the sale of these projects is based.

Considerable attention was given, during the first session of the Congress last year, to the disposition of war housing. Hearings were held before both the House and Senate Banking and Currency Committees. The House of Representatives passed H. R. 3492, a bill which would have made it mandatory to sell all the projects within a very short period of time, to give an absolute first preference to veterans in the disposition of the housing, to subdivide large projects into the smallest feasible units of sale, and to require

that all sales be for cash. As a result of these hearings and of the passage by the House of H. R. 3492, it was our conclusion that our policies should conform with the wishes of Congress as expressed in these hearings and by the passage of the bill referred to.

While the Lanham Act, which is the basic legislation under which this housing was built, does not require disposition of the permanent housing within a given time limit, it does state in section 4 that it is the policy of the act that housing provided under it may be disposed of as expeditiously as possible. Subsequent amendments to this basic legislation as well as discussions with the congressional committees seem to indicate clearly that we should dispose of this housing just as rapidly as the resources and staff at our disposal will permit. Our revised policies are set forth in Public Regulations No. 1, copy of which is enclosed for your information.

We are attempting to proceed with the present policy of sales in as orderly a manner as possible and with the least disruption to present occupants. Because of wartime restrictions that were in effect at the time this housing was built, problems will arise in connection with its sale of private residential purposes which will delay disposition of many projects for varying periods of time. It is important, however, that we move ahead with sale of projects which do reach the stage where offerings can be made if we are to succeed in meeting a schedule of final disposition within a reasonable period of time.

The Redbank Village project is expected to reach the stage where sales offer may be made by late spring or early summer of this year. Before such offer is made, however, full opportunity will be afforded the community for discussions locally with public housing administration officials regarding the plans or problems affecting the sale, as required by Public Regulation No. 1. We have already been in touch with the South Portland Housing Authority in connection with the problems involved in the disposition of the Redbank Village project. Enclosed is a copy of our letter of January 2 to Mr. Frank Preti, chairman of the South Portland Housing Authority, on this matter. You will note that we have taken steps to assure full and proper consultation with the city government and the South Portland Housing Authority toward working out a plan of disposition for the Redbank Village project which will be in the best interests of all concerned.

Sincerely yours,

RAYMOND M. FOLEY,
Administrator.

SOUTH PORTLAND, MAINE,
January 27, 1948.

Hon. MARGARET CHASE SMITH,
House Office Building, Washington, D. C.

DEAR MRS. SMITH: At your request, the disposition committee of the Redbank Tenants' Council has asked me to send you the following facts which we hope will be useful to you.

1. Over-all housing picture in Portland area:

Among the 4 Government housing projects in the Portland area, 420 families moved out during the year 1947. Out of that number, only 67 moved because they had purchased homes of their own. I happen to know personally of several families who have bought well outside the city limits. One hundred and ninety-five of the 420 moved out because they were unable to pay their rent, were evicted, or had a change in employment which caused them to move.

Among the 759 applicants for admission to these projects during 1947, 390 gave as their reason for applying that they had been living with another family, were in overcrowded quarters, or were living in substand-

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 2 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. YOUNG (for himself and Mr. BUSHFIELD) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 22, between lines 20 and 21, insert the following:

1 (d) Section 11 (b) of the Foreign Aid Act of 1947
2 is amended by striking out so much thereof as reads as
3 follows:

4 “In estimating the amount of such commodities available
5 for export from the United States the President shall allow
6 for a carry-over of wheat in the United States as of July 1,

1 1948, of not less than one hundred and fifty million bushels
2 to protect the economy of the United States from inflationary
3 prices and to insure against a scarcity of bread for domestic
4 consumption during the twelve-month period beginning
5 July 1, 1948.

6 .“The funds authorized herein shall not be made available
7 or used to acquire a quantity of wheat, wheat flour, and
8 cereal grain in the United States which, after taking into con-
9 sideration the amount estimated for export to other countries,
10 and the amount needed for domestic consumption in the
11 United States, will leave a carry-over of less than one
12 hundred and fifty million bushels of wheat on July 1, 1948,
13 unless the estimates of the President after March 1, 1948,
14 justify an increase in the amount available for export to
15 recipient countries with full protection for domestic needs.”

16 (e) The paragraph under the caption “Foreign Aid”
17 in the Third Supplemental Appropriation Act, 1948, is
18 amended by striking out so much thereof as reads as fol-
19 lows: “In determining the amount of such commodities
20 available for export from the United States the President
21 shall allow for a carry-over of wheat in the United States
22 as of July 1, 1948, of not less than one hundred and fifty
23 million bushels: *And provided further*, That the funds ap-
24 propriated in this Act shall not be made available or used
25 to acquire a quantity of wheat, wheat flour, and cereal grain

1 in the United States which, after taking into consideration
2 the amount estimated for export to other countries, and the
3 amount needed for domestic consumption in the United
4 States, will leave a carry-over of less than one hundred and
5 fifty million bushels of wheat on July 1, 1948.”

AMENDMENT

Intended to be proposed by Mr. Young (for himself and Mr. Bushfield) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 2 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

80TH CONGRESS
2D SESSION

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 2 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. McMAHON to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 32, between lines 20 and 21, insert a new subsection as follows:

- 1 (c) In addition to the provisions required by subsec-
- 2 tion (b) to be included in agreements concluded with par-
- 3 ticipating countries under this Act, there shall also be in-
- 4 cluded an undertaking by each such country to prohibit the
- 5 exportation other than to the United States from such
- 6 country of any commodity of which the exportation from

1 the United States is (1) determined by the Secretary of
 2 State, the Secretary of Defense, and the Chairman of the
 3 Atomic Energy Commission, acting jointly, to be inconsistent
 4 with the national security, and (2) prohibited by or pursu-
 5 ant to the laws of the United States.

80TH CONGRESS
 2D SESSION

S. 2202

AMENDMENT

Intended to be proposed by Mr. McMAHON to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 2 (legislative day, FEBRUARY 2), 1948
 Ordered to lie on the table and to be printed

IN THE SENATE OF THE UNITED STATES

MARCH 2 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. KNOWLAND to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 22, after line 20, insert a new subsection as follows:

- 1 (d) No commodity shall be exported from the United
2 States, its Territories, or possessions, to any European
3 country (including portions thereof located outside of
4 Europe) which is not a participating country, if the Ad-
5 ministrator shall have determined that the supply of such
6 commodity available for procurement and transfer under
7 this Act is insufficient (or would be insufficient if such export
8 were permitted) to fulfill the requirements under this Act
9 of participating countries.

AMENDMENT

Intended to be proposed by Mr. KNOWLAND to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 2 (legislative day, FEBRUARY 2), 1948
Ordered to lie on the table and to be printed

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CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

Division of Legislative Reports

(For Department staff only)

Issued

March 4, 1948

For actions of

March 3, 1948

80th-2nd, No. 40

Do you receive this Digest promptly? If you are located in the USDA buildings in D. C., you should ordinarily receive the Digest before noon on the day of issuance. If the bulletin is delayed in reaching you, please call Ext. 4654 and we'll be glad to help locate the delay in distribution.

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HIGHLIGHTS: Senate debated ERP bill. Both Houses received President's recommendation for revision of Classification Act. Senate committee approved bill for use of Sec. 32 funds in connection with foreign aid. Sen. Young's bill to repeal wheat-carryover requirement transferred to Agriculture Committee. Rep. Hope introduced bills to provide 2 additional Assistant Secretaries of Agriculture and to amend marketing-agreements law. Rep. Murray (Wis.) spoke in favor of Dirksen fertilizer bill and inserted table showing use of Sec. 32 funds. House Rules Committee cleared foot-and-mouth disease research bill. During debate on State-Justice-Commerce bill, Rep. Mitchell urged oleo-tax repeal. Rep. Foote recommended oleo-tax repeal.

SENATE

- 1. EUROPEAN RECOVERY PROGRAM.** Continued debate on S. 2202, the ERP bill. (pp. 2089-118).
- 2. CLASSIFICATION-ACT REVISION.** Both Houses received the President's message transmitting the annual report of the Civil Service Commission, urging enactment of the recommendations contained therein, and commending the work of Government employees. To Post Office and Civil Service Committees. (pp. 2085, 2132-3.) The "Daily Digest" states that the report "recommended a revision of the Classification Act of 1923, providing for establishment of compensation schedules by grades only instead of by both services and grades; to place responsibility on the Commission for development of standards under which jobs are to be classified, such job classification to be subject to post-audit by the Commission; and to clearly set forth the factors which are to be taken into consideration in classifying jobs." (H. Doc. 455.)
- 3. SURPLUS COMMODITIES.** The Agriculture and Forestry Committee approved, but did not actually report, S. J. Res. 187, which provides that, to encourage exportation of surplus commodities for foreign aid, the Department may make payments from Sec. 32 funds, including payments to any Government agency procuring or

selling such commodities or products, in an amount not over 50 percent of the sales prices; and cancels the rescission of Sec. 32 funds by Public Law 266, 80th Cong. (p. D189).

4. FORESTS. The Agriculture and Forestry Committee approved, but did not actually report, S. 1090, to safeguard and consolidate certain areas within the Superior National Forest, with amendment (p. D189).
5. WHEAT CARRYOVER. At Sen. Young's request, his bill (S. 2158) to repeal the wheat carryover requirement, was transferred from the Foreign Relations Committee to the Agriculture and Forestry Committee (p. 2087). In view of this action, Sen. Young said he would not propose a similar amendment in connection with the ERP bill.
6. EMPLOYMENT ACT OF 1946. Sen. Murray, Mont., commended this Act and reviewed its accomplishments (pp. 2094-5).
7. TRADE AGREEMENTS. Sen. Butler, Nebr., inserted various statements criticizing administration of the Trade Agreements Act (pp. 2118-22).

HOUSE

8. FOOT-AND-MOUTH DISEASE. The Rules Committee reported a resolution for the consideration of H. R. 5098, to enable this Department to conduct research on foot-and-mouth and other diseases of animals (pp. 2127, 2165). The resolution limits general debate to 1 hour and provides for the bill to be read for amendment under the 5-minute rule.
9. OLEOMARGARINE TAXES. Rep. Foote, Conn., spoke in favor of repeal of oleomargarine taxes (p. 2130).
10. STATE, JUSTICE, COMMERCE, AND JUDICIARY APPROPRIATION BILL, 1949. Began debate on this bill, H.R. 5607 (pp. 2133-63). During the debate Rep. Mitchell, Ind., spoke in favor of repeal of oleomargarine taxes, stating that "Federal antinargarine laws are wrong in principle" and stating that the repeal of such taxes would not injure the butter industry (pp. 2161-3).
11. FOREIGN AID. Received from the State Department a draft of a proposed bill to amend the Foreign Aid Act of 1947 in order to provide for assistance to the Free Territory of Trieste. To Foreign Affairs Committee. (p. 2165).
Received a Vienna and Mount Vernon (Maine) citizens' petition urging that shipments of food and certain machinery to Russia be stopped (p. 2166).
12. RECLAMATION. The Public Lands Committee reported without amendment S. 1990, to provide for continuation and completion of the Deer Creek and aqueduct divisions of the Provo River project, Utah (H. Rept. 1492) (p. 2165).
13. HOUSING. Received Mass. Legislature memorials urging enactment of the Taft-Hendler-Wagner housing bill (p. 2166).

BILLS INTRODUCED.

14. ASSISTANT SECRETARIES. H.R. 5689, by Rep. Hope, Kans., to establish two additional offices of Assistant Secretaries of Agriculture. To Agriculture Committee. (p. 2165.)
15. MARKETING AGREEMENTS AND ORDERS. H.R. 5688, by Rep. Hope, Kans., to amend the

the citizens of my State, and I want to assure them that I shall certainly do nothing to endanger the plan. Certainly if the tidelands bill were to endanger the Pick-Sloan plan, I would not support it. I would oppose it.

I should like to say further that other interested groups and individuals are likewise giving careful study to the bill with a view to its possible effects on the program of Federal development of navigation, hydroelectric power, flood control, and so forth. The National Reclamation Association, among others, is studying the bill very carefully. I intend to be guided to a very large extent by the conclusions of such organizations as the National Reclamation Association. If that organization should feel that further amendments to this bill are necessary, I shall see that they are presented either in the committee, where S. 1988 is now under consideration, or on the floor when it is under debate.

The PRESIDING OFFICER. Is there objection?

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF WALTER JOHNSON, CHAIRMAN OF TIDELANDS COMMITTEE OF NATIONAL ASSOCIATION OF ATTORNEYS GENERAL, REGARDING CRITICISM OF S. 1988 BY MISSOURI VALLEY DEVELOPMENT ASSOCIATION

Representatives of Missouri Valley Development Association have apparently started a movement in Nebraska in opposition to S. 1988, which is designed to restore and confirm titles to State property which were either taken or clouded by the Supreme Court decision in the case of *United States v. California*.

The Missouri Valley Development Association, through its representative, John Quinn, is quoted in the Omaha Morning World-Herald (February 18, 1948) as saying that S. 1988, would place "natural resources in all forms under the control of State law" and that this would mean that South Dakota rather than the Federal Government would have the right to dispose of all the waters and power generated at the Fort Randall Dam and that the 10 States interested, "jealous of their new rights," would be fighting among themselves as to the disposition of this water and power. Similar statements have been made by Mr. Francis P. Matthews, who even goes farther and says that S. 1988 is a "cunningly contrived plot to rob the people of Nebraska and the Northwest of Missouri River development benefits" and to block the Pick-Sloan plan.

I wish to assure those interested in the Federal control of the Missouri Valley development that their fears and suspicions are wholly unfounded. There is no secret plot to promote private interests connected with S. 1988. There was not the remotest intention on the part of the members of our committee, who drafted S. 1988, to interfere with Federal control of water and power at Fort Randall Dam, or to block the Pick-Sloan plan. It is the opinion of our committee that the bill as drawn would not in any way bring about that result. However, the committee is quite willing to sponsor an amendment which would remove any possible doubt.

Copy of this amendment is set forth later in this statement. I should like, however, to point out the advantages which will be derived not only by Nebraska but by all the States from the passage of this legislation and also to show that, as now written, it does not affect the distribution of power.

Since the formation of the Union every State has been considered to be the owner of the lands beneath its navigable waters and

of the resources within such lands and in the waters, including fish. These lands and resources have always been subject to State law, and all State courts, as well as the Supreme Court itself, in many decisions prior to 1947 have upheld the title and ownership of the States in these lands and resources. It is by virtue of this principle of law that Nebraska owns the lands under the Missouri River and the resources therein and controls fishing or other rights in said river, including riparian rights.

It is, of course, true that the United States has always had the constitutional power of regulation of navigable waters in the interest of interstate commerce and national defense. Under this power, the Federal Government has been held to have the power to control floods and to produce and distribute electric power.

When the Supreme Court said that California was not the owner of the lands beneath its navigable waters and the resources therein, it struck a blow at the property rights and sovereignty of every State in the Union. That is why the National Association of Attorneys General and the Governors Conference, representing the highest officials of all the States in the Union, have prepared and are actively sponsoring this bill. The bill was drawn by a committee of able attorneys general and has the backing of the American Bar Association, whose house of delegates examined it with the minutest care, and of the bar associations of numerous States.

Incidentally, the United States Chamber of Commerce, of which Mr. Matthews is a director, is wholeheartedly behind this legislation. Two years ago it adopted a strong resolution in favor of a similar measure. This measure passed Congress but was vetoed by the President. The policy of the United States Chamber of Commerce to support a quitclaim and release of lands beneath navigable waters and of the natural resources in such lands and waters to the respective States has not changed.

S. 1988 does not confer upon the States any new rights and does not place any natural resources under State control which have not always been under State control prior to the California decision.

Analysis of the precise language of S. 1988 will bear this out. This bill will recognize and confirm and vest in the respective States—

1. Lands beneath navigable waters within the boundaries of the respective States.
2. Natural resources within such lands and waters.
3. The right and power to control, develop, and use the said natural resources (i. e., the resources within the lands and waters) in accordance with the applicable State law.

These are precisely the property rights and powers the States have always possessed and ought to possess if they are to retain their sovereignty as States. The above language does not release or convey any waters, but only resources within the waters—which was intended to apply to fish, which are actually within the waters. The Federal Government would like to control the entire fishing industry, which has always belonged to the States.

I understand that the argument has been made that the reference to natural resources within the navigable waters would be held to include electric power. To our committee such a construction seems not only far-fetched, but completely untenable. It is true that electric power is considered as a natural resource. But electric power does not exist within the navigable waters of a river. Electric power is generated by a dynamo and comes into existence at the output terminals of the dynamo. To generate electric power the dynamo must be rotated by some form of energy. This energy may be produced from coal or any other fuel or from water falling

onto a wheel. The electric power does not exist within the water any more than it does within the coal. After the water has passed over the wheel it goes on its way. Nothing has been taken from it.

However, as I have stated, we can see no objection to any reasonable amendment which would remove even the suspicion that there is some plot to interfere with Federal control of Missouri River Valley development.

The following is a suggested wording for such an amendment:

Following line 19, on page 5, insert:

"Nothing in this act shall limit the powers of Congress in connection with the regulation of interstate and foreign commerce, to control the navigable waters within the States for the purposes of navigation, flood control, and the production and distribution of electric power."

The citizens of Nebraska ought to understand the background of S. 1988. The attack on California's property and sovereignty rights is part of the movement that has been going on in Washington for the last 16 years to centralize control of all natural resources of the Nation in the Department of the Interior and other Federal bureaus. These bureaus would like to take over the ownership, control, and administration, not only of California's oil but of fish and other resources throughout the Nation.

Employees of these bureaus who are promoting various Federal projects are fighting Senate bill 1988.

The wholly erroneous charge that this bill contained some secret design to take away Federal control of the distribution of water or power from the Missouri River is an example of the type of opposition which is encountered.

Nothing said herein is intended to reflect in any way upon the merits of the Fort Randall project or of the Missouri Valley development as a whole. The merits of these projects have nothing whatever to do with S. 1988. The citizens of Nebraska, however, should consider whether they wish to surrender their sovereignty as a State to the Federal Government. Perhaps they may feel that the beds of navigable waters in Nebraska are not of very much importance but that is not the real issue. The real issue is whether the Federal Government can come into a State as it has done in California and under the guise of exercising national power appropriate the State's natural resources which have always been under State control and subject them, against the State's will, to Federal control. Nebraska should realize that to undermine the sovereignty of one State is to undermine our whole Federal system. If the States do not stand together in resisting this new Federal encroachment on State property and State power, they will find themselves one by one reduced to mere dependencies of Washington bureaus. That is why the attorneys general, governors, and practically all State officers throughout the Nation are united in defense of State interests.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. HOEY obtained the floor.

Mr. WHERRY. Mr. President, may I inquire of the Senator from North Carolina whether he prefers to have a quorum called before he starts his remarks?

Mr. HOEY. That is agreeable.

Mr. WHERRY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hawkes	Myers
Ball	Hayden	O'Daniel
Barkley	Hickenlooper	O'Mahoney
Brewster	Hill	Overton
Bricker	Hoey	Reed
Bridges	Holland	Revercomb
Brooks	Ives	Robertson, Va.
Buck	Jenner	Robertson, Wyo.
Butler	Johnston, S. C.	Russell
Byrd	Kem	Saltonstall
Cain	Kilgore	Smith
Capper	Knowland	Sparkman
Chavez	Langer	Stennis
Connally	Lodge	Stewart
Cooper	Lucas	Taft
Cordon	McCarran	Taylor
Donnell	McCarthy	Thomas, Utah
Downey	McClellan	Thye
Dworshak	McFarland	Tobey
Eastland	McGrath	Umstead
Eaton	McKellar	Vandenberg
Ellender	McMahon	Watkins
Ferguson	Malone	Wherry
Flanders	Martin	Wiley
Fulbright	Maybank	Williams
George	Millikin	Wilson
Green	Moore	Young
Gurney	Morse	
Hatch	Murray	

Mr. WHERRY. I announce that the Senator from Connecticut [Mr. BALDWIN] is necessarily absent in his State.

The Senator from South Dakota [Mr. BUSHFIELD] is necessarily absent.

The Senator from Indiana [Mr. CAPEHART] is absent by leave of the Senate on official committee business.

Mr. LUCAS. I announce that the Senator from Washington [Mr. MAGNUSON] and the Senator from Oklahoma [Mr. THOMAS] are absent by leave of the Senate.

The Senator from Colorado [Mr. JOHNSON] is absent on public business.

The Senator from Maryland [Mr. TYDINGS] is absent because of illness.

The Senator from Maryland [Mr. O'CONOR], the Senator from Florida [Mr. PEPPER], and the Senator from New York [Mr. WAGNER] are necessarily absent.

The PRESIDING OFFICER (Mr. CAIN in the chair). Eighty-five Senators having answered to their names, a quorum is present.

Mr. HOEY. Mr. President, before beginning the discussion of the European recovery program I wish to pay tribute to the masterly presentation of this case by the able and distinguished Senator from Michigan [Mr. VANDENBERG], chairman of the Foreign Relations Committee. His address on Monday deserves to rank with the really great speeches delivered in the United States Senate and sustains the best traditions of this greatest forum of world thought and action.

Mr. President, the people of the United States have become accustomed to meeting crises. They are experienced in dealing with emergencies. From the latter part of the year 1939, when our Government, under the direction of the Congress, began feverish preparation for a defensive war against the aggressive powers, until the treacherous and cowardly attack was launched against us at Pearl Harbor on December 7, 1941, every resource of our Nation was utilized to meet what was manifest from the

beginning would be an all-out death struggle.

The fateful days following witnessed the complete mobilization of the manpower and the material resources of the Nation for the sole and supreme purpose of achieving full and final victory with the definite goal of preserving our own liberty and freedom and assuring our allies the right to live peaceably in a world freed from totalitarian forces that would enslave mankind.

The achievements of America in that stupendous conflict made a new record in human history. Never had any country accomplished so much in such a brief space of time. Our production on the farm and in the factory amazed the world. We speedily transformed our country from peacetime activity to an over-all war basis, and we amassed an army of over 12,000,000 gallant men and women in an incredibly short time. We became the arsenal of democracy—the warehouse of the world—and the banker of the free peoples of the earth. We not only supplied our own 140,000,000 people with the necessities of life and equipped, trained, supported, and transported our vast army to every part of the earth to engage in bitter warfare on land, sea, and in the air, but we supplied ships, planes, tanks, artillery, and all the implements of war to our allies and aided in supplying them with food and clothing, while we still produced enough to help feed the suffering and starving peoples in many lands already devastated by war. That record has never been equaled in all the history of the human race.

Through the tremendous war effort of America and the might and power of her air force, army, and navy, and the courage and valor of her soldiers, in conjunction with the heroic efforts of our allies and their supreme sacrifices, Germany was brought to her knees and on May 8, 1945, she unconditionally surrendered after Hitler had abdicated and suicided. By the almost unaided efforts of the armed forces of the United States, plus the atomic bomb, Japan surrendered on August 14, 1945. The fighting war was over, but the war to obtain peace had just begun as later events have proved.

Before the surrender of Germany or Japan, President Roosevelt invited all the nations interested in establishing and maintaining world peace to assemble in San Francisco for the purpose of agreeing upon a great United Nations Charter. Fifty nations accepted the invitation and their representatives spent over 2 months in this world conference, which resulted after much debate, and the comparing of many differences, in the unanimous adoption of this world covenant, the preamble of which recited that these nations solemnly agreed that they would not wage war against each other, but would settle and adjust their differences by methods short of war.

One of the significantly dramatic moments in our national history was when the Senate of the United States ratified the United Nations Charter, after weeks of debate, on July 28, 1945, by the overwhelming vote of 89 to 2. The premier Republic of the whole earth and the greatest democracy of all human history

was leading the way to peace now and peace in the long future for our world.

A seriously wounded world needed sustenance. The destruction in many lands had been complete, the devastation was beyond description, the poverty, suffering, and want were so great that immediate steps had to be taken to save human lives and prevent people from dying like flies. The United States led the way in providing relief and through UNRRA contributed vast sums for virtually all the nations in distress. Certainly, the funds and supplies were not always wisely handled and distributed, but it can be said to the everlasting credit of our country that we supplied 71 percent of all the money and supplies for the relief of the suffering and starving of the world, while all of the other nations combined furnished only 29 percent. The generosity of the American people may not have been fully known or even appreciated by the people to whom the relief was sent, but I am quite sure that it pleased the Gracious Father of all as we undertook to minister to His children throughout the earth. It may yet prove to be as bread cast upon the waters in our endeavors for peace.

The Congress of the United States, in response to the requests of the President and the Secretary of State, appropriated large additional sums for the relief of the distressed and starving people in many lands and to enable them to organize a stable society and begin the task of rebuilding. Altogether we have loaned and donated a total of around \$20,000,000,000 to other nations since the close of the war. The donations were to meet the pressing needs to save the lives of the people, and the loans were to help these friendly nations to get a start toward rehabilitation. In the special session of the Congress we passed a special bill for around \$500,000,000 as stopgap relief to tide the nations of Austria, Italy, and France over the winter months and save them from intense suffering and starvation.

The United States realized that something would have to be done on a permanent basis. All of our help heretofore had been to meet the pressing temporary needs. It was manifest that our country could not afford to assume responsibility to feed and clothe millions of people in other lands as a regular obligation, and I may say that I do not believe many of these people would wish for us to give them this support. They are high-minded, industrious, and independent citizens in the main and what they wish is a chance to make a living for themselves, but in order to do so they must find some way to reconstruct their wrecked farms, to rebuild their destroyed industries, and to obtain facilities to restore their devastated countries. For the farms they need seed, fertilizer, and farming implements. For their industries they need machinery, materials, and raw products. Upon the whole, if they are to recover and become self-supporting members of society, these nations must have long-term help.

Out of these necessities the Marshall plan was born. There is nothing mysterious about it. There is nothing difficult

to understand. There is no reason why it should be misunderstood. However, we hear from the man on the street, and many times from sources we would least expect, the bald assertion that "we have helped Europe enough—she never pays us back—and I am opposed to doing any more for any of those nations. Let them look after themselves. We ought to look after ourselves and let them do the same."

That sounds very much like the expressions we heard after the First World War, and that was exactly the policy which we followed. We found ourselves unhappily in a Second World War, thrust upon us without our procurement and against our will. Shall we wait to do anything about it until we are confronted with World War III?

The Marshall plan is as simple as it is sensible. We suggested to the nations of Europe that they meet in conference and do three things, namely: First, make a survey of their own resources; second, make a survey of their needs; third, ascertain what they can do among themselves by utilizing their own resources to meet their needs and then let us know how much help they would have to have in order to enable them to rehabilitate their several nations over a period of 4 years and become self-supporting. That invitation was accepted by 16 European nations and they met in conference for weeks and carefully and conscientiously complied with our suggestions. Russia, with eight satellite nations, refused to attend the conference and participate.

The plan proposed by this conference of 16 nations was submitted to the United States and has been studied, pared down, readjusted and worked over by our specialists in all lines. After this careful and comprehensive study it has been presented to the Congress. The Senate Committee on Foreign Relations has given it intensive study, after having held extensive hearing and examined all the witnesses who wished to be heard. We have the unanimous report before us for consideration. The proposed appropriation of \$5,300,000,000 is to cover the period from April 1, 1948, to April 1, 1949. The whole plan would cover a period of 4 years which all of the informed authorities believe is essential to accomplish the purposes of rehabilitation and to establish the nations upon a basis of self-support. After 1 year we can best determine whether the program should be continued. This proposition is now before the American people and is squarely in the lap of this Congress. The question is, What are we going to do about it? We cannot ignore it. We must either adopt it and make the effort to save these nations among the free peoples of the world, or we must refuse and take the consequences. The serious question which confronts us is, Can we afford to risk the alternative of refusing to give this assistance? In making this decision, we should bear in mind that hunger produced a Mussolini, and despair created a Hitler. We should also remember that human experience and our knowledge of world conditions demonstrate that we cannot long maintain a prosperous America if the balance of the world is in poverty and want, that

we cannot have an orderly and contented America if the other nations of the earth are in disorder and chaos, that we cannot have a peaceful America if the world is at war.

Mr. McMAHON. Mr. President, would the Senator mind an interruption?

Mr. HOEY. Not at all.

Mr. McMAHON. I am very much interested in the first observation the Senator made about what the effect on the United States would be if Europe collapsed. One of the other points that has occurred to me is that there will be no capitalism in America if there is no capitalism in the rest of the world. Does the Senator agree with that point of view?

Mr. HOEY. Absolutely.

Mr. McMAHON. If there is to be nothing but state trading all over the world, then we shall have nothing but state trading here in the United States, will we not?

Mr. HOEY. That is correct. We cannot maintain our free-enterprise, capitalistic system if all the rest of the world takes a toboggan slide.

Mr. McMAHON. I thank the Senator.

Mr. HOEY. Mr. President, I am in favor of adopting the European recovery program and giving support and sustenance to our sister nations. I shall give only two reasons for this position: One is economic and the other is philanthropic; one is selfish and the other humanitarian.

It is tremendously important that the United States continue to be prosperous, that we succeed in maintaining our economy upon the high basis of full production and complete employment, with a consistently high earning power for our people. The stupendous public debt makes it imperative that we maintain an economy which will insure good profits to industry and agriculture and high wages to labor. This is essential in order that we shall be able to meet our national obligations. We cannot afford to have a depression, with consequent reduction of earnings on the part of individuals and corporations.

In 1932 the total earnings of all the people and corporations in the United States was around \$40,000,000,000. We pay more than that in taxes now. In 1946 the total earnings reached the astronomical figure of \$174,000,000,000—until then, an all-time high. Yet, in 1947, the total earnings soared to the peak of \$197,000,000,000—and this in the face of many gloomy predictions that we would begin a depression that year. Does anybody believe that we would or could have had any such record of earnings in the last 2 years if we had not made loans and donations to European nations and kept these nations as going concerns? Does anybody expect that our earnings will hold up to these high levels if we lose our export trade and the nations of Europe collapse? Viewed solely from a selfish point of view, is it not a good business investment to let Europe have five or six billion dollars for purposes of rehabilitation and maintain our total earnings around one hundred and eighty billions, when to refuse it would probably result in a slump of our earnings of from thirty to fifty billions a year?

Our loss would not be confined merely to the amount of decrease in exports, but the reflex influence upon our economy would be felt in every line of business, and the general sag would carry all businesses down to a lower level.

Following the war, a great many planners were terribly concerned about the unemployment which they expected to result when the 12,000,000 soldiers returned to civilian employment and when our economy slowed down. Many were pressing for legislation to take care of unemployment. What are the facts? The Labor Department statistics show that we now have approximately 60,000,000 people gainfully employed in the United States, which is 22,000,000 more than were employed during the depression, and 10,000,000 more than a previous high. If our economy suffers the impact of having our trading nations eliminated as participants in our world trade, we may expect heavy unemployment and the consequent dislocation of our whole productive system in both industry and agriculture.

This argument could be extended to cover many other fields of activity to show the adverse effect upon our whole business which would result from our failure to come to the relief of these nations in Europe in an effort to save them. It may be asked whether the expenditure of this money will be a guaranty of our continued prosperity. I do not think we can safely hazard an affirmative answer, although I think the force of the logic of the situation fully supports that theory. However, it is perfectly manifest what the result will be if we do not provide the assistance, for we have our past experience to show us what happens when our foreign markets are lost and we are restricted in the production and distribution of our products from field and factory. All of this deals solely with the material issue—the selfish consideration of the benefits which we may derive from making the advances, and the losses to our economy by failing to make this investment in the security of other nations.

The other reason I urge in behalf of the Marshall plan is the humanitarian aspect, which should appeal mightily to the forward-looking and enlightened, peace-loving people of the United States. Will this plan preserve peace? No one can answer that question authoritatively; but everyone can reasonably hope that it will lead the way to a better understanding between nations, for greater mutual concern for their well-being, for a finer and broader conception of international relations, and for the common material betterment of all the people, and greater spiritual significance in the realm of the higher values of life.

In an all-out effort to win the war and preserve our liberty and freedom and win peace for ourselves and the world, we gave prodigally of men and money, and we laid a vast offering in blood and treasure upon the altar of world freedom. Now, while the sweet incense of that sacrifice is still ascending to high heaven, shall we abandon the altar, quench the fire, extinguish the flame, and walk away to our own complacent selves, muttering that we have done all that we

intend to do, and that henceforth we shall look after ourselves and let the balance of the world do the same? That is not American; that is not humanitarian; that is not Christian.

The cost of the last war is staggering. We lost 295,000 brave and heroic sons and daughters in war; we had nearly 1,000,000 casualties, ranging from injuries causing only slight disabilities to a vast number resulting in total and permanent disabilities, such as the loss of hands, arms, legs, eyesight, and paralyzed limbs and body. In dollars and cents, the United States had spent, for all war purposes, up to the close of the war, over \$340,000,000,000; and the total cost as of this date, including benefits and pensions to soldiers, is a total of around \$385,000,000,000. If it was worth all this loss of life and injuries to our soldiers and the expenditure of these hundreds of billions of dollars to win the war, does it not stand to reason that it would be a good investment to risk a few billion dollars more to save the fruits of our victory and preserve the liberty, freedom, and peace for which we fought? The Marshall plan contemplates doing just this.

When we consider what service the United States should render the balance of the world from a humanitarian or world-brotherhood standpoint, we must be impressed by two outstanding facts: first, that our Nation is the richest and most powerful in the world; and, second, that it is the only really great nation that was not seriously devastated and rendered almost prostrate financially by the war. Not only is America the richest country in the world, but even in 1940, before the destruction of the industries and resources of the other nations, the commercial international census accredited our Nation with wealth greater than the combined wealth of Great Britain, France, Germany, Italy, Russia, and Japan. Now our wealth is far in excess of the prewar estimate, even though we have a stupendous public debt.

A nation, like an individual, is a steward of its material possessions. With wealth, prestige and power, there go corresponding obligations and responsibilities. God has generously bestowed his bounty upon us, but we cannot complacently assume that we merited this goodness at His hands. We shall have to account for our use of the power and wealth which we enjoy today, and failure to properly exercise and use it may witness the scepter of authority passing to a more worthy nation. America is a Christian nation in name, and somewhat Christian in practice. Be it said to the everlasting credit of the people of this land and their Government that however far short they may fall of the Christian ideal in their daily living, they measure up splendidly in every hour of need of suffering and distressed peoples throughout the earth, and their response and assistance is always in accord with the finest Christian traditions. St. Paul, the greatest apostle of all time, would commend them as he did the early Christians for their generosity in helping their less fortunate brethren.

Nothing will so impress the balance of the world with our unselfish interest and

concern for the world as the adoption of this policy of self-help and rehabilitation which would represent our conception of Christianity and the spirit of brotherhood in action. We have demonstrated our absolute unselfish attitude by trying to bring about peace in the world in which we are not asking anything for our own Nation. This further demonstration of our practical and sustained interest in the recovery of the war-torn nations must impress our friends and foes with our sincerity and high-minded purposes in dealing with our sister nations. We cannot deal with this whole question purely upon a material basis. The things of the spirit are still infinitely greater than the things of the flesh, and the triumph of goodness and justice must ultimately result from the well-directed efforts of even faltering humanity.

We must avoid another war. Preparation for defense alone will not be sufficient. Already we are spending \$11,000,000,000 annually for our Army, Navy, and Air Force, and we are told that that is wholly inadequate. If we do not adopt the Marshall plan, we shall have to add that sum each year more than we would expend to carry out the whole recovery program. Our expenditures now for the purpose of maintaining our fighting forces is more than three times greater than our total cost of Government, including the cost of the armed services, prior to 1939. Instead of \$11,000,000,000 we shall see the cost of defense advance to twenty or twenty-five billions of dollars—and there will still be the threat of war.

The question properly arises as to whether the adoption of the Marshall plan will preserve peace. Certainly no one can give that assurance, but we can all realize that it will represent a determined and practical effort to establish and maintain peace. It is worth trying and it has the virtue of being both economical and right.

Our people are much disturbed about the unfavorable attitude of Russia and the threat involved to world peace. The trouble with Russia is that she is suspicious of the United States and is not assured of herself. She knows of our might and power, of our wealth and resources, of our prestige and capacity to produce, and she knows that we could dominate the earth. Russia knows only too well if she had what the United States has she would undertake to subjugate the world, and she cannot understand why we do not have the same ambition.

Time will aid us in making crystal clear to Russia and all the world our own high purposes and the unselfishness of the course we are pursuing. This sort of vindication will add to our stature as a nation, to our long history of fair dealing with nations, and to our freedom from any charge of imperialistic designs, a charge some of our own disgruntled citizens have dared to assert in public addresses. The acquisition of territory on the part of the United States has met every test of honesty and peaceful bargaining. This was true of the Louisiana purchase, the annexation of Texas, the Oregon Territory, the Mexican Cession, the Alaskan purchase, and the various

acquirements of territory in this country and our island possessions. When the whole matter is summed up, it can truthfully be said of the United States that in our contact with other nations and other lands we have touched them only to bless, we have conquered only to liberate. Cuba and the Philippines bear eloquent testimony to our love of liberty and freedom and our desire for other nations to enjoy that which we cherish for ourselves.

We are not only justified in doing everything possible to avoid World War III, but it is our solemn duty, representing the 140,000,000 free people of the United States who love liberty and freedom, to explore every avenue which leads to peace and employ all the means which will contribute to that end. I have previously mentioned the cost of the last war to the United States. The figure which I gave of \$340,000,000,000 did not represent the whole cost of the war, but only the amount expended until the Axis nations surrendered. The added cost for soldier benefits, pensions, education, compensation, and other expenditures brings the total up to \$385,000,000,000.

Gardner Cowles, editor of Look magazine, who made a trip around the world with Wendell Willkie, recently made another world tour visiting all the war-torn countries, gathering facts as to the total cost of World War II to the whole world, including money spent and the destruction of property in every part of the world. His estimate, supported by other fiscal authorities, places the total cost and loss at \$1,000,000,000,000. Does anyone know how much money that is?

Well, it is a thousand billion, and a billion is a thousand million. The sum is so staggering that it passes all comprehension. Mr. Cowles follows this with a most revealing statement as to just what could be accomplished by the use of the money for peaceful purposes. For instance, he estimates that this sum is sufficient to build a five-room house for every family in the world—not merely in the United States, but in the whole world—and to provide school facilities for 400,000,000 children through elementary school for an average of 25 years and in addition to build a \$1,000,000 hospital in every city of 5,000 people in the whole world. Yet all of this vast sum was destroyed in war and no benefits conferred upon the human race. This does not take into account the total world casualties of 15,000,000 as estimated by General Marshall in his summary of losses in battle and missing military personnel, as appears in "10 Eventful Years," the Encyclopedia Britannica's new four-volume history of the period 1937 through 1947 written by him. The losses by nations follow:

The United States: 295,904 lives, or 1 in every 500 of the 1940 population.

The United Kingdom: 305,770 lives, or 1 in every 150 of the population.

On the home islands alone; entire British Commonwealth's military losses totaled 452,570, or 0.08 percent of the population of the Empire.

Union of Soviet Socialist Republics: 7,500,000, or 1 in every 22 of its population.

France: 200,000, or 1 in every 200 of its population.

Germany: 2,850,000, or 1 in every 25 of its population.

Italy: 300,000, or 1 in every 150 of its population.

China: 2,200,000, or 1 in every 200 of its 1940 population (not including the 6 years of undeclared Chinese-Japanese hostilities that started in 1931).

Japan: 1,506,000 from 1937 on, or 1 in every 46 of its population.

General Marshall said:

The total cost to the principal belligerents, both Allied and Axis, in military personnel killed and missing in battle exceeded 15,000,000. The very considerable costs to the smaller countries, particularly Poland and the nations in southeastern Europe, added hundreds of thousands more to the total.

The statesmanship of this age and the enlightened thought of the world ought to be able to unite in enlarging the powers of the United Nations Organization and implementing it with sufficient power and authority to make it effective in preventing war and preserving peace. The solution of the problem lies in finding means by which a war may be stopped before it starts, and in creating an atmosphere favorable to peace among all nations. It is my definite conviction that the adoption of the Marshall plan offers the best immediate means which we may adopt to further the cause of peace. I may say that I am not as pessimistic about our international relationships as many who speak over the radio or write articles for the papers and magazines. I realize the danger of war, but I also do not underestimate the forces that are battling for peace. The darkest hour sometimes precedes the brightest dawn and no night has yet been dark enough to put out the stars. My philosophy is that we should do our duty of the hour and trust our destiny to the God of individuals and nations.

Mr. WHERRY. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hawkes	Myers
Ball	Hayden	O'Daniel
Barkley	Hickenlooper	O'Mahoney
Brewster	Hill	Overton
Bricker	Hoey	Reed
Bridges	Holland	Revercomb
Brooks	Ives	Robertson, Va.
Buck	Jenner	Robertson, Wyo.
Butler	Johnston, S. C.	Russell
Byrd	Kem	Saltonstall
Cain	Kilgore	Smith
Capper	Knowland	Sparkman
Chavez	Langer	Stennis
Connally	Lodge	Stewart
Cooper	Lucas	Taft
Cordon	McCarran	Taylor
Donnell	McCarthy	Thomas, Utah
Downey	McClellan	Thye
Dworshak	McFarland	Tobey
Eastland	McGrath	Umstead
Eaton	McKellar	Vandenberg
Ellender	McMahon	Watkins
Ferguson	Malone	Wherry
Flanders	Martin	Wiley
Fulbright	Maybank	Williams
George	Millikin	Wilson
Green	Moore	Young
Gurney	Morse	
Hatch	Murray	

The PRESIDING OFFICER (Mr. KNOWLAND in the chair). Eighty-five Senators having answered to their names, a quorum is present.

SUPPORT OF THE UNITED NATIONS' DECISION ON PALESTINE

Mr. MURRAY. Mr. President, the shocking events which have taken place in Czechoslovakia make it more imperative than ever that the United States should stand firm in its support of the United Nations organization. Anything that tends to weaken or undermine the United Nations should call forth our prompt interest and determined opposition.

My interest in the Palestine question centers on the need to preserve the integrity of the United Nations, which I regard as the last best hope of peace for the peoples of the world. The United Nations, by a vote of more than two-thirds, decided on a Palestine-partition plan, with the city of Jerusalem remaining under the trusteeship of all the United Nations and open to the people of all faiths. That decision was a truly remarkable one, because it was intended to solve one of the most serious problems besetting the world.

Now, as I see it, the enforcement of the United Nations decision is not only a matter of honor, but involves the question of whether the United Nations can be made to succeed as an organization for world peace. If the threat of armed violence from a small number of Arab guerrilla bands can upset a solemn United Nations decision, then the future of this world-peace organization is indeed dark.

I believe, on the other hand, if the United Nations and the supporting countries clearly affirm their intention to carry out the decision, that it would be accepted by the Arab countries with a minimum of violence. I know, for example, that some of the Arab representatives at the United Nations have privately indicated their criticism over the bloodshed perpetrated by some of the Arab hotheads.

I am certainly aware that the United Nations decision was not perfect. It would have required more than the judgment of a Solomon to settle the problem justly and to the satisfaction of all the conflicting parties to the dispute. But, Mr. President, all the troublesome questions presented in that difficult situation were carefully considered by the impartial United Nations Commission on Palestine before the General Assembly voted on it. That Commission, in effect, adopted a milder form of the proposal which the British had originally put forward about 10 years ago.

The historical claims of the Arabs and Jews to possession of the Holy Land cannot be answered with a flat yes or no. Obviously, the United Nations Commission took into account the fact that all the vast land of the Middle East belonged until 1918 to the Turkish empire, and the Arabs and the Jews were merely subject peoples in that land. Neither had any

superior right. As a result of the allied victory in the First World War, the British turned over to the Arabs the vast lands which now comprise the states of Iraq, Syria, Lebanon, Transjordan, and Saudi Arabia—an area many, many times larger than the tiny territory granted to the Jews by the United Nations decision.

I am sure that if Turkey, prior to the First World War, had offered to turn over to the Arabs and the Jews this territory, confining the Jews to the tiny area now occupied by them, the ruling would have been universally approved.

The decision of the United Nations, in view of all the circumstances, is as fair and reasonable as could be expected. The attitude of the United States should be to give its full moral and persuasive support to a decision of the United Nations in the interest of world peace and order.

Last week, and again yesterday, former Senator Warren R. Austin, United States Representative at the seat of the United Nations, presented the United States position on the Palestine issue before the United Nations Security Council. Both speeches failed to meet the issue squarely. They constitute striking examples of the use of language of diplomacy which fails clearly and unequivocally to express a thought. Here was a case where our position should have been clearly stated. The action of the United Nations Assembly should have been completely supported.

The question is, Are we for partition or are we not? Mr. Austin says we are. We are behind partition, he says; but it is my impression that we are failing to make our position clear and definite. The entire world is waiting for a solution of the Palestine problem. The world is sick and disheartened with these diplomatic circumlocutions, and devious arguments and pronouncements, all appallingly underlined by violence, by bloodletting, and by the release of the bitterest racial and religious emotions. As the Secretary-General, Trygve Lie, with obvious dismay, has explained: "If nothing happens in Palestine and chaos results, it will have a bad effect on the United Nations."

On November 29 last, a high peak was achieved in the slow progress of the United Nations. After nearly 30 years of evasion and uncertainty which had led to an impasse in Palestine, the United Nations took a decision. I do not think anything is to be gained by legal hairsplitting as to whether it is a "decision" or a "recommendation." A group of nations voted; they decided; they came to a recommendation, or a conclusion, or a decision—call it what you will. It was something upon which they decided. It was a clear-cut act of deciding, in which 33 nations decided for and 13 decided against. I doubt if any international decision has ever been taken on the basis of a more exhaustive study of a problem, or a more careful weighing of the repercussions than in the case of the Palestine ruling.

What now is to be gained by going back, particularly when those who wish us to go back—the Arabs and certain oil interests—refuse any solution, save their hand-chosen one? It is not a case of meeting some objections of the Arabs. It is a case of acquiescing 100 percent in their total opposition. There can be no meeting of minds when one party says bluntly: "This is what we want. We will take nothing less. We will accept nothing else. The United Nations will do as we say or we shall have none of it."

Is the United Nations prepared to liquidate itself and become an instrument for its own destruction—an arm of the Standard Oil Co. of New Jersey, or of the ex-Grand Mufti of Jerusalem, who, if he had had his way less than 3 years ago, would have triumphantly partaken of a Hitler victory over the United States, Great Britain, and their allies?

Is the United Nations a force for good, a force beyond intimidation? Or is it like a balloon of gas, ready to be blown in this direction or that direction, or, even more likely, to be punctured and collapsed by the first threat of violence presented to it?

We are now involved in a question which goes beyond Jews and Arabs. It is a question which has to do with the confidence of organized mankind in its leaders.

If the United Nations now supinely submits to a scheme to turn the clock back; if the United States, regardless of its commitments, is to become a party to a scheme to turn back the clock, then there is no hope save in violence, save in the strength of dictators, and in the savagery of the doctrine "Might makes right."

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 535. An act for the relief of Adelbert E. Tuller;

S. 641. An act for the relief of Mrs. Roberta Flake Clayton;

S. 922. An act for the relief of Ruth Grossman;

S. 939. An act for the relief of Charles Howard Richards;

S. 970. An act for the relief of Mr. and Mrs. Harold T. Prosser;

S. 1031. An act for the relief of Antonio Zamora; Mrs. Antonio Zamora; Antonio Zamora, Jr.; Mrs. Juan Chavez; John Chavez, Jr.; Roland Chavez; Selso Trujillo; Dr. M. G. Wright; and the heirs of Keith Lane;

S. 1267. An act for the relief of Eleonore M. Hannon;

S. 1698. An act to define the exterior boundary of the Uintah and Ouray Indian Reservation in the State of Utah, and for other purposes;

S. 1716. An act for the relief of Mrs. Iola Veach;

S. 1721. An act conferring jurisdiction upon the United States District Court for the Western District of Washington to hear, determine, and render judgment upon any claim arising out of injuries sustained by G. R. Below, late of Seattle, Wash.;

S. 1796. An act to provide for the preservation of the frigate *Constellation* and to au-

thorize the disposition of certain replaced parts of such vessel as souvenirs, and for other purposes; and

H. R. 4023. An act to authorize the establishment of the De Soto National Memorial, in the State of Florida, and for other purposes.

THE EMPLOYMENT ACT OF 1946

Mr. MURRAY. Mr. President, I wish to speak for a few minutes on another subject.

It is now 2 years since the Congress enacted the Employment Act of 1946. At the time of its passage there were some who criticized the legislation as deficient in that it did not purport to achieve all of the objectives contemplated by the bill as originally filed. On February 8, 1946, the day the conference measure was approved by the Senate, I indicated that there was no basis for this negative point of view. Granted the basic concepts of the bill were not set forth in the same direct and effective language contained in the original measure that I and my associates had introduced in Congress a year earlier, nevertheless, I entertained no doubts at that time that the conference measure, and I quote from my remarks on the Senate floor, "contained all the essentials of a full-employment program, which, if properly and firmly administered, would constitute a real contribution to the successful operation of our economic system."

I believe my judgment has been confirmed by the experience of the past 2 years.

Mr. Walter Lippmann, the noted commentator, has described the Employment Act of 1946—in the Washington Post of December 26, 1946—as "one of the most significant enacted by Congress in this century."

The distinguished junior Senator from Vermont [Mr. FLANDERS], in an article in the autumn 1947 issue of the Public Administration Review, has described the Employment Act of 1946 as "the most significant administrative implementation to the formulation of public policy since establishment of the Federal budget system a quarter of a century earlier."

The act has also been hailed by such sober commentators on the national scene as the editors of Kiplinger Magazine. Let me quote from a special Kiplinger Magazine report entitled "Can We Prevent Depressions?"

The Employment Act of 1946 is not a labor measure. It is not a law involving salvation by Government. It is a measure designed to insure the American economic system of a long and healthy life.

The Employment Act has also been recognized by leading economists of America as making a historic contribution to the solution of our economic problems. Let me quote from a statement made by Prof. E. A. Goldenweiser in his presidential address before the American Economic Association printed in the American Economic Review of March 1947:

This act contains, in embryo, what is necessary to start the Government on a road to more effective action. It recognizes the unity of the problems handled by the different departments and agencies, it gives the Presi-

dent the kind of help and support that he requires and is entitled to in the discharge of his great responsibilities, and it improves the procedure for cooperation between the executive and legislative branches of Government. A stronger and more formal link must be forged in the near future, but the present law represents a step in the right direction.

In his recent book entitled "Taxation for Prosperity," Randolph Paul, former Under Secretary of the Treasury, made the following comment on the act:

The important step forward is that the Employment Act of 1946 proceeds on the general assumption that the Federal Government has the ultimate responsibility for creating and maintaining a general framework for economic activity conducive to the achievement of maximum employment. The law assumes that the way to deal with depression is not to wait until it has progressed beyond control but to be forearmed with measures that will prevent it from becoming disastrous.

In his recent book entitled "Economic Policy and Full Employment," Prof. Alvin H. Hansen, of Harvard, made the following statement concerning this legislation:

The procedures outlined in the act assure that the Government will continually take the pulse and temperature, so to speak, of the economy in order to measure how well its policies are succeeding in achieving one of its primary responsibilities. Thus the elected Government currently responsible for the conduct of national affairs must continually face up with the unemployment problem. The procedures provided in the act would focus the eyes of the Nation continuously on goals of economic progress and stability, on rising living standards, and on growth in real national income as rapidly as productivity and high levels of employment permit.

It is also very gratifying to note that this year, unlike last year, the Joint Committee on the Economic Report is planning to follow the procedures called for by the act. It is my understanding that the joint committee is now preparing a report analyzing the Economic Report of the President, which was transmitted to Congress on January 14 of this year, and presenting its own conclusions on each of the President's main recommendations. I am informed that this report will be presented to both Houses of the Congress no later than March 1.

Nevertheless, there is no reason to be complacent. The success of the act will depend not only upon its administration by the President, his Council of Economic Advisers, and the Joint Committee on the Economic Report, but also upon the support given to it by the people back home. As I stated 2 years ago when the legislation was finally approved by the Senate:

If the American people fail to take a strong position back of this program and demand that this act be effectively enforced, it will become dormant and useless to carry our country through the dangerous days ahead. But if this legislation is given wholehearted support, it will provide a firm foundation upon which we may go forward to a golden age of full employment and prosperity. It will become the framework within which industry, agriculture, labor, State and local governments, and the Federal Government can work together to translate into a

living reality our hopes and plans for a stronger and better America.

INCREASE OF EQUIPMENT MAINTENANCE OF RURAL CARRIERS

The PRESIDING OFFICER laid before the Senate the amendments of the House of Representatives to the bill (S. 203) to increase the equipment maintenance of rural carriers 1 cent per mile per day traveled by each rural carrier for a period of 3 years, and for other purposes, which were, to strike out all after the enacting clause and insert:

That each carrier in the rural mail delivery service shall be paid for equipment maintenance a sum equal to 1 cent per mile per day for each mile or major fraction of a mile scheduled in addition to the 6 cents per mile per day for each mile or major fraction of a mile scheduled as now provided by law. Payments for the additional equipment maintenance as provided herein shall be at the same periods and in the same manner as payments for regular compensation to rural carriers.

SEC. 2. There are hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions of this act.

SEC. 3. This act shall take effect on the first of the month following the date of its enactment and shall terminate 12 months from the beginning date or such earlier date as the Congress may by concurrent resolution prescribe.

And to amend the title so as to read: "An act to increase the equipment maintenance of rural carriers 1 cent per mile per day traveled by each rural carrier for a period of 12 months, and for other purposes."

Mr. LANGER. Mr. President, I move that the Senate disagree to the amendments of the House, ask a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. LANGER, Mr. BUCK, Mr. FLANDERS, Mr. CHAVEZ, and Mr. JOHNSTON of South Carolina conferees on the part of the Senate.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. WHERRY. Mr. President, it appears that amendments to be proposed will not be ready until tomorrow. It also appears that the work of the Senate has been concluded for the afternoon. Before I move a recess I ask unanimous consent that the Senator from Mississippi [Mr. STENNIS] be recognized when the Senate reconvenes tomorrow.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. VANDENBERG. Mr. President, I realize the situation which the able Senator from Nebraska, in his capacity as acting majority leader, confronts at the

moment. It certainly is not his fault, because I can testify that he has undertaken to try at least to bring these issues to a head.

I very deeply regret that we shall have to chalk off one lost day. I may be mistaken, but I think that every day is of particular importance in the life of the world at the present moment, and I think every day is superlatively important in respect to the responsibilities of leadership which the Government and the people of the United States must assert if there is to be any hope of a restabilized world.

Blank days of this nature are unfortunate. They are even more than that, Mr. President. I cannot object to the Senator's purpose to recess until tomorrow, but I again urge Senators who intend to offer amendments to this program to present their amendments and have them printed so that we may proceed to business. A few amendments have been submitted today, and a few are available on our desks. I doubt if the country will understand what is going on here unless we can begin, at least tomorrow, in earnest to attend to the utterly desperate responsibilities which we confront. I hope that, beginning tomorrow, we can proceed expeditiously with the amendments to the bill and with the conclusion of the event.

Mr. BALL. Mr. President, I submit several proposed amendments, which I hope I can discuss tomorrow, and ask that they be printed and lie on the table.

The PRESIDING OFFICER. The amendments will be printed and lie on the table.

Mr. BALL. Mr. President, I should like briefly to mention one of the amendments and call it to the attention of the Senator from Michigan.

Yesterday, in the colloquy between the Senator from Michigan and myself, I stressed what to me seems to be a very vital aspect in this program, namely, the constant fear of aggression or subversion on the part of the countries in Europe which are being pulled behind the iron curtain one by one under a timetable which seems to be speeding up. Such fear is a very important factor in this whole program for recovery. In my opinion, unless we begin to move very soon to seek some solution to the problem of steady Russian Communist aggression against the remaining free and independent peoples, their chances of recovery, even under this program, are rather remote, because we cannot expect people to rebuild their economies unless they have some confidence in tomorrow; and it is difficult to see how those peoples, particularly in such countries as Sweden, which, once Finland is taken over, is right next to the Russian orbit, can have much hope for tomorrow unless there is some action on the part of the remaining free nations of the world to counteract that pressure.

Mr. LODGE. Mr. President, will the Senator yield to me?

Mr. BALL. I shall yield in a moment.

Mr. President, I have submitted an amendment proposing that the Congress direct the President and the Secretary

of State immediately to attempt to negotiate with whatever members of the United Nations will join them in an agreement establishing a supreme council without the veto power, and to which the member nations would pledge their armed forces and resources, which could act to stop aggression or subversion threatening the peace, freedom, and independence of any people.

I do not pretend that that is a perfect solution of the problem, or that it is the best solution; but I think it is urgent—just as urgent as the speed in acting on the program which the Senator from Michigan is urging—that the United States develop some policy to meet that problem of naked power aggression on the part of Russia, because I think until we do any recovery program is likely to be futile.

If the Senator from Michigan and the administration are opposed to the amendment I have proposed and the solution along the lines which are indicated in the amendment, then I believe that before the Senate acts on this program it is entitled to know what alternative solution to the problem of aggression they are proposing.

Now I yield to the Senator from Massachusetts.

Mr. LODGE. Mr. President, it occurs to me that Czechoslovakia was taken over by the pro-Communist activities of the inhabitants of that country, and that one of the possibilities is that Italy will be taken over by communism in a fair and free election. So I should like to know how the action and the armed forces to which the Senator from Minnesota refers would prevent that kind of subversive action.

Mr. BALL. I do not know the complete answer to the Senator's question; but I have known many people in my State who came from Czechoslovakia and I have read some of the writings of President Benes of that country, and I know a little about their history and their long fight for independence and freedom. I think the people of Czechoslovakia unquestionably are deeply devoted to the principles of individual freedom, and that if there had been any leadership there that felt there was the slightest chance of their survival in a fight to maintain their independence in the face of Communist pressure and, as I read in one report, Red army units massing on the borders of Czechoslovakia, the people of Czechoslovakia might have resisted. But there was no such hope.

Until we can give these small individual countries some hope that they will not stand alone in resisting this overwhelming aggressive power, I do not think there is much chance for a recovery program or much chance for stopping these relentless conquests one by one.

Mr. LODGE. But if those countries are taken over by fifth columns of their own fellow-citizens within each country, without a single Russian soldier having stepped across the north-south line running from Stettin to Trieste, what good would it do to have the nations pledged to unite against the use of armed force?

Mr. BALL. If the reports I have read are correct, it is true that the Communists' control led the secret police in Czechoslovakia, but the army was still loyal. If those who were loyal had had any hope to fortify their courage, on the basis of such an agreement pledging them outside help in case the Red Army should try to move in, then I think the story might have been different.

As has been said, there are too many imponderables, and we cannot run a control test in history. But the Communists never have won a free election, I may say. I do not think they will win a free election in Italy. They may create sufficient chaos in Italy, because of their complete ruthlessness in treating individuals and human lives, to enable them to seize power. But they never have won a free election.

Mr. LODGE. Does the Senator from Minnesota think the United States should mobilize or accelerate its preparations for war?

Mr. BALL. I think we must by all means put this country in the strongest possible position of preparedness for whatever may happen in the world, which looks rather grim at the moment.

Mr. LODGE. I share the Senator's belief in regard to the vital necessity of placing this country in a strong defensive position. But it still occurs to me that we are confronting a type of subversive war which in many cases cannot be successfully dealt with by military means.

Mr. BALL. Does the Senator from Massachusetts think that the Communists ever win a free election? Do not they always, even when it is an internal coup d'état, seize power by force or by the threat of force, but never by constitutional means—even though, unfortunately, President Benes' capitulation in Czechoslovakia has given them some semblance of legality?

Mr. LODGE. I think there have been such cases, for example, in France, where, of course, the Communists have not seized power, and I think the Communists in the French Chamber of Deputies were legally elected, although some of them may not have been.

But I should like to invite the attention of the Senator to the fact that, although there are situations which armed force cannot reach, many such situations can be reached by the type of economic aid which is contemplated by the pending measure. There are some countries that could not be helped by this act and could not be helped by military action. There are other countries that could not be helped by this act, but could be helped by military action, perhaps. But there is a third category of nations, namely, a group which I think can be helped, and can be helped most decisively, by the kind of aid at which this program is aimed.

Mr. BALL. I am not questioning that; but I say the chances of having this program succeed would be infinitely greater if the countries had some strong assurance—greater assurance than they have at the present time—of support in case they were menaced by aggression or subversion; and I say that the only place

they can look to for leadership in formulating such a policy or program is the United States.

As I have said, the amendment I have offered may not be the perfect solution, it undoubtedly is not the only solution, but before the Senate votes on the program I should like to know what the United States plans to do or what the Senators in charge of the bill think should be done to meet what seems to me to be a problem in this world every bit as urgent as economic assistance.

Mr. LODGE. Mr. President, will the Senator yield further, so that we may continue the colloquy?

Mr. BALL. I yield.

Mr. LODGE. I have not, of course, read the Senator's amendment, and this is the first I have heard of it, but, as I have understood his description, what he envisages is an understanding among the states of western Europe to proceed in a collective way.

Mr. BALL. It is not confined to the states of western Europe. It comprehends all the free countries of the world. The amendment provides the President shall try to negotiate an agreement with all members of the United Nations. As I said, it eliminates the veto, so I doubt if Russia and her satellites would go along with that. But it seems to me we are in a situation so very similar to the one that existed in the late 1930's, when the Nazi aggressor was picking off the countries of Europe one at a time, that if we do not hang together we shall all hang separately. It seems to me that is a truth so self-evident that no one can dispute it. Whether the amendment is the proper answer or not, I do not pretend to know. It is the best one I can devise. It at least raises the issue.

Mr. LODGE. I think the truth does indeed exist as the Senator says. All I am trying to do is to relate his proposal to what we are trying to do in the bill. I think the bill embodies that general concept very much in its spirit, first of all because the bill contemplates a joint organization of recipient nations, and because that joint organization, while it is on the economic basis of course, has potentialities that transcend the narrower field of economics. I submit to the Senator the thought that there will not be an organization of nations that is worth anything and that can accomplish anything or whose word is heeded with any respect at all, if those nations are lying flat on their backs because of economic prostration and that before it will be possible to get the type of collective economic action the Senator from Minnesota has in mind, it seems to me there must be a little first aid, the pulmotor has got to be applied a little bit, so that these countries can at least stand on their own feet and not continually be supported by other nations.

Mr. BALL. Until the Senator has read the amendment, I do not see that there is much point in debating any longer which comes first, economic assistance—we have been doing that for 2½ years, after all—

Mr. LODGE. We have not been doing it at all in the way contemplated here.

Mr. BALL. Let me finish what I was saying—or the solution in a political way of the problem of complete individual and national insecurity. It is like asking, which comes first, the chicken or the egg? I think they must go together. I think I can make quite a case for my point of view. But what I want to do is raise the issue here, and I want to know what the administration has in mind to meet that problem.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. BALL. I yield to the Senator from Michigan.

Mr. VANDENBERG. I do not care to debate the proposed amendment at the moment. Obviously we do not have it before us in printed form, but the Senator was kind enough to hand me a copy. I wondered if he would be good enough to make his prospectus a little plainer to me so that I could understand it as I study it. As the Senator's amendment is drawn it looks to me as though he requires that Soviet Russia shall be a member of the proposed Supreme Council.

Mr. BALL. No. The amendment says the President shall attempt to negotiate with all members of the United Nations, he shall invite them all to join the Supreme Council. As the Senator from Michigan studies it, I am sure he will see that the Supreme Council under that set-up actually is what we hoped the Security Council would be under the United Nations, except without the veto. If Russia wants to join such an organization, I should be extremely happy, because I think that if she accepts that kind of obligation and joins that kind of organization it would indicate that Russia really wants peace and not war in a Communist-dominated world. If she does not, then I figure it is high time the other nations that really want peace and security and independence should get together to do something about it.

Mr. VANDENBERG. I am simply trying to call the Senator's attention to the language of his proposal. I certainly do not intend to hold him responsible for the language, because I realize that it would be asking almost too much even of the Senator from Minnesota to write a new charter for the world overnight. But the language of his amendment which struck me is paragraph (b) (1):

For the establishment of a Supreme Council to consist of 11 members, all signatories of the agreement who are elected or permanent members of the Security Council of the United Nations to be, ipso facto, elected or permanent members of the Supreme Council.

Does that not require Soviet Russia to be a member of the Council proposed by the Senator?

Mr. BALL. Not unless she signs the agreement. The Senator will notice that it says "all signatories of the agreement who are."

Mr. VANDENBERG. Is it the Senator's theory that the majority of the 11 nations on his proposed Supreme Council could declare a state of war?

Mr. BALL. Yes.

Mr. VANDENBERG. In other words, the Senator is perfectly willing to have

7 out of 11 countries declare us to be in a state of war; is that correct?

Mr. BALL. With a majority of the permanent members of the Council.

Mr. VANDENBERG. Could it be without our consent?

Mr. BALL. It could.

Mr. VANDENBERG. How could that be done constitutionally?

Mr. BALL. I think it would have to be done in advance.

Mr. VANDENBERG. At any rate, the Senator is willing to permit a majority, of which we are not one, to vote the Nation into war; he is willing that seven foreign countries may vote the United States into war. The Senator says he thinks that is all right. I do not believe I can agree with him. I think he is a little more internationalist than I am at that point.

Mr. BALL. I suspect I am. I think I probably always have been.

Mr. VANDENBERG. Until the Senator confronted the Marshall plan.

Mr. BALL. I do not think, by any means, that the test of internationalism is a Senator's willingness to spend American resources anywhere in the world.

Mr. VANDENBERG. Oh, I agree.

Mr. BALL. I never have thought that.

Mr. VANDENBERG. I agree. But I also think that it is interesting to be in favor of everything that is not available to us to vote on, and not in favor of anything that is. What I wanted to find out was how the scheme would work. Further down in the amendment I notice the Senator says, however, that armed forces can be used only through the exercise of the constitutional process.

Mr. BALL. That is correct.

Mr. VANDENBERG. Therefore, it would do no good. I am not being critical, I beg the Senator to believe.

Mr. BALL. I understand.

Mr. VANDENBERG. I am trying to find out how this proposal would work.

Mr. BALL. I should like to ask the Senator from Michigan a question. He was at the peace conference in San Francisco which drafted the charter of the nations, under which, because of the use of the veto, the Security Council has no means today of even making the first motion toward preventing aggression or wars. Would not the situation of the proposed supreme council be exactly the same as the situation of the Security Council, with the exception of the veto? That is what I intended.

Mr. VANDENBERG. The Security Council without any veto would be in precisely the situation the Senator indicates.

Mr. BALL. That is right.

Mr. VANDENBERG. I think there is not very much general support in this country for the elimination of the veto at the point where armed forces are to be called into action. I should very much doubt whether a majority of the Senate, I very much doubt whether a majority of the Senator's own colleagues, referring to those with whom he has been studying the problem, would for an instant vote to amend the United Nations Charter so that a majority of foreign countries could vote to send the United States into war.

My own feeling, which has been stated publicly many times, is that I think the veto should be completely removed down to the point where we reach sanctions by force. I do not see how we can go beyond that point, because I do not see how we can commit the armed forces of the United States without the constitutional process. That is the point. The Senator seems to agree with that, further along in his amendment, because it provides, as I understand, that armed force cannot be used without the constitutional process.

Mr. BALL. Obviously, I think it could not. There is no time to amend the Constitution of the United States in order to meet this problem.

Mr. VANDENBERG. So, therefore, the previous provision is entirely contingent upon the ultimate action of the constitutional process with respect to the various countries involved.

Mr. BALL. That is the way it would be if the Security Council had functioned as it was intended to function. If the Security Council, even if there were no veto, voted unanimously to use force it would still be up to each individual nation to do something about it beyond the contingencies assigned in the United Nations treaty.

Mr. VANDENBERG. And which, unfortunately, has not been done.

Mr. BALL. That is correct.

Mr. VANDENBERG. The Senator envisions a rather long process. First, we would have to secure the consent of at least 11 nations virtually to withdraw from the United Nations and start over again. We would have to create for them a charter under which to operate. The Senator is proposing that they shall have summary power virtually to commit the entire membership to war. All this process must go on, and then, finally, before anything can happen, there must be congressional action which permits the use of the armed forces. I am simply asking the Senator, on the basis of his own vision, as to the present necessity for this proposal; whether he thinks he is offering, even if it would work, anything containing any degree of current or future hope of application to the conflagration which we already confront. Does the Senator think the fire department would be ready until long after the conflagration had burned up everything?

Mr. BALL. I am inclined to think so. I point out to the Senator that this agreement would be reached, if it should work out as I would hope, with members of the United Nations who are all signatories to a charter which is in existence and which is not working, largely because of the obstructive use of the veto. I would assume that the working out of an agreement should not be time-consuming. After all, I have noticed that the 16 nations got together very quickly last fall at Paris to develop a Marshall plan on the basis of a few sentences in Secretary Marshall's speech which the Senator read a day or two ago. But even granting that diplomatic negotiations take time, sometimes too much time when the world is burning up, the mere fact that the United States recognized this problem of security, and although realizing that the hour was late, began

to do something about it and to move in the direction of the collective security which we envisioned when we adopted the Charter of the United Nations, which unfortunately has not materialized, I think would have the same kind of tremendously encouraging and hopeful effect on the peoples of Europe as the Senator hopes for from the speedy passage of this legislation, which obviously cannot be followed except at the end of several months by the actual delivery of supplies.

As I have tried to make very clear to the Senator, I do not claim this to be a perfect solution. I have no pride of authorship, but I do contend that the problem which it seeks to solve is tremendously urgent. I grant it is only a first step, a gesture toward the United States moving to do something in this field when we are drifting from crisis to crisis with no policy on this particular aspect of the problem.

If the Senator can figure out something better, or if the administration has something better to propose, I shall be perfectly willing to consider it. I agree completely that normally the formulation of any kind of foreign policy must be for the executive branch of the Government, but I think the hour is very late. I do not forget that the last country to go behind the iron curtain contains the city of Prague, in which the Skoda works are located. I have been informed that between the spring of 1938, when Hitler took over Czechoslovakia, and the time of his blitzkrieg in the Lowlands, most of the equipment with which he conquered the Lowlands and France was manufactured in the Skoda works. I think the hour is very late. I agree completely with the Senator from Michigan, but I think it is equally late with regard to the problem of collective economic action to meet the threat of aggression.

Mr. VANDENBERG. I want to say to the Senator this final word for today on this particular subject: We are in agreement at one or two points. I am happy to welcome the fact that the Senator underscores the urgency of the situation which confronts us. It is an urgency which I hope may be reflected in the expedition with which the Senate does whatever it is proposing to do. I would say that it is an urgency that requires adequate action in respect to anything we do. So I welcome the Senator's agreement as to the urgency of the situation.

I have long recognized the importance of prompt action, speaking only for the Senator from Michigan. I have no spokespersonship for the administration; I do not know what it is thinking about in this connection; but certainly for at least 2½ years the record is very clear respecting the attitude of the senior Senator from Michigan. Starting with January 10, 1945, from the very inception of the whole problem, I was urging a military alliance against aggression. So that my attitude in respect to the necessity for dependable security has existed as long and as faithfully as that of my able friend from Minnesota.

Furthermore, throughout the limited life of the United Nations I have con-

stantly insisted, speaking for myself, that the procedural methods pursued in the Security Council should be amended and can be amended voluntarily by the members of the Council in respect to the identification of the precise portions of the Charter which are subject to veto. I am glad to say that finally, in the last General Assembly of the United Nations, the Government of the United States presented a proposal to eliminate the veto as a procedural matter, down to the final chapter of the Charter which deals with the use of armed force. So far as the Senator from Michigan is concerned, he feels that that one change would make all the difference in the world in the efficacy of the Charter, because the Charter is written on the theory that peaceful sanctions will succeed, and that through the exercise of peaceful sanctions which are all spelled out in the Charter, it will be unnecessary to reach a point where forcible sanctions are required. If the long list of peaceful sanctions which are spelled out in the first portions of the Charter ever had a chance to work without veto, there would be very few situations in which we would finally confront the ultimate necessity even to consider armed force.

There is the further development—and I am speaking personally now, because the Senator asked me virtually to state my own alternatives or my own theories in respect to reaching the results to which he addressed himself—

Mr. BALL. May I say that I was not pressing the Senator for an answer today?

Mr. VANDENBERG. I should just as soon answer today as tomorrow or the week after, because I have already answered in the RECORD time and time again.

I go to the further exhibit. The Senator from Michigan finds himself somewhat intimately associated with the results of the Conference last fall in Rio de Janeiro, where we set up the security belt in the Western Hemisphere under a regional agreement, which is completely within the purview of the United Nations Charter, and is directly and specifically authorized by the terms of the Charter.

Under that regional agreement the nations of pan America stand pledged, one for all and all for one, in the event of unexpected and precipitous armed attack. In the opinion of the Senator from Michigan, there is a very substantial possibility of developing the authority of the so-called regional pacts in the Charter of the United Nations to deal with sectional problems of the character into which the world problem frequently divides itself.

So, the record is far from sterile, at least so far as I am concerned, in respect to efforts to at least start to meet the problem which my able friend from Minnesota describes. I can assure him that in pursuit of these various possibilities—and there are still others to which I have not referred—it is not an easy and a simple matter to find an international meeting of minds in respect to a formula. That will probably explain why so little progress has been made in these directions, although I

doubt whether until very recently the leadership of the United States has put any particular emphasis upon any of these suggestions.

I hope I have demonstrated it to the Senator that I recognize the problem precisely as he does. I do not know what the answer should be in specific terms. I do know that there are methods of approach which seem to me to be encouraging by way of further exploration and perhaps early results. I do not believe, however, that it is possible to undertake to create an entirely new instrumentality for the preservation of the peace and for the armed repulsion of aggression with any hope of reaching a conclusion in time to be effective. I think our greatest hope is in an effort to utilize, through expansion, the existing instrumentalities upon which we can base our undertakings.

So, while it probably would be no news to the Senator that I could not possibly agree to the acceptance, in the pending bill, of the new Charter for the peace of the world which he and his earnest friends have written within the last few minutes, nevertheless I am saying that I recognize the problem, I agree with him in respect both to its importance and its imminence, and I think every effort of the Government should be made in the direction of trying to find the best answer.

Mr. BALL. Mr. President, I thank the Senator for his statement. He has suggested three possible alternative ways of meeting the problem, first, through strengthening the United Nations by removing the veto on all except the final use of force; second, some kind of regional organization or pact such as we have with our South American neighbors; or the possibility of a mutual defense pact against aggression similar to the one he proposed that we offer to Russia in the case of Germany. But he has also made the point that unfortunately the United States so far does not seem to be doing anything about moving in any one of these directions, or in any of the other directions which he mentioned as possibilities.

I do not care to press the Senator for an answer now, but I should like to suggest that if we cannot agree to my proposal—and I admit it is difficult, but I do not think it commits the United States to anything, as it merely directs the President to try to negotiate something which obviously would have to come back to the Senate—if we cannot agree to that, I should like to suggest to the Senator that he and his colleagues on the Committee on Foreign Relations try to draft some kind of an amendment which can be placed in the bill which will put the impetus of a declaration by Congress behind the administration in moving at least in some direction toward solving the problem.

Mr. BREWSTER. Mr. President, will the Senator from Minnesota yield?

Mr. BALL. I yield.

Mr. BREWSTER. I wanted to ask two or three questions in an effort to clarify the point raised by the Senator from Michigan. My discussion with the Senator from Minnesota and others had

not been entirely in line with what I understood to be the conclusions drawn.

In the first place, with reference to the question of a declaration of war, I assume that now that is clarified, and that action by the Congress under the Constitution would be essential for any declaration of war. There were some of the earlier replies of the Senator from Minnesota which indicated possibly a different conclusion.

With that understood, I wanted to ask the Senator from Michigan whether he made a distinction between an obligation and a declaration. Under the proposal which I understood the Senator from Michigan to make on January 10, 1945, for a defensive alliance for collective security, I assume we were at least under some obligation to take action for the defense of those who were participants in the agreement. Was that correct?

Mr. VANDENBERG. Mr. President, the proposal was for a four-power guaranty to come to the immediate assistance of any victims of resurgent Axis aggression, the treaty, of course, being subject to ratification by the Senate.

I think I should say at that point, inasmuch as my able friend, the Senator from Minnesota, in his last conclusion suggested that no effort had been made in any of these directions, that it is true that for the past year and a half the Government of the United States has been officially urging and pressing for precisely this type of a mutual defensive obligation, and again it has failed solely because of a refusal of the Soviet Government to agree.

Mr. BREWSTER. That would have involved an obligation on our part, although still requiring affirmative action by the Congress for a declaration of war.

Mr. VANDENBERG. That is correct.

Mr. BREWSTER. So there was, in my reading of the proposal of the Senator from Minnesota, nothing other than that we would have an agreement among 11 nations, perhaps, instead of 4—welcoming the additional number—and we would associate ourselves in an agreement that in certain contingencies we would come to the assistance of those who might be in need. In principle and in theory is there a distinction?

Mr. VANDENBERG. I think there is a very definite distinction which I could point out when the text of the amendment is fully available. I do not have it at the moment.

The thing which shocks and overwhelms me in the contemplation of this proposal to ask the Congress on 24 hours' notice to accept a formula in respect to the most important single fundamental thing on earth, namely, organized international cooperation for peace and security, is the responsibility we would take in attempting to approve, no matter how nobly meditated and no matter how worthily intended, the overnight product of a few of my eminent colleagues, granting their supreme efforts, because it has been my experience that in attempting to put contracts of this nature together every word is of desperate importance. If the draftsmen are not microscopically careful in respect to what

they are writing they will either find themselves involved in some sort of an obligation they did not remotely anticipate, or they may discover that they have left the back door and the side door open through which any remote possibility of success will evaporate.

I cannot quite contemplate the prudence of attempting to hold back the European recovery legislation to which 8 months of critical, intimate attention has been given, for the purpose of developing a military defensive program which would take just as many months to put in a form which would deserve the prudent approval even of those who might approve of the idea.

Mr. BREWSTER. I appreciate the fact that the Senator has moved from a few minutes to 24 hours. The Senator from Michigan suggested to the Senator from Minnesota a few minutes.

Mr. VANDENBERG. I did not intend to be invidious in that observation. I was slightly overwhelmed by the contemplation that we were to be asked to consider something which even if it had had weeks and weeks of consideration, nevertheless had not been explored in all its corollary aspects which inevitably require assessment in settling a question of this nature.

Mr. BREWSTER. I am sure the Senator from Michigan recognizes that in this period of gestation of international understanding it is necessary for all of us to take these feeble and halting steps, particularly when we are faced with so great a crisis as we now are, and when thus far the United Nations, of which we had such high hopes, does not seem to be able effectively to function. And so the possibilities are explored.

I should like to have a matter made clear. The amendment, as I read it, held greater attraction for me because it seemed to embody so much of what the Senator from Michigan had so long urged, particularly in its analogy to the Rio Conference and to the proposal for the agreement in Europe. So at first blush it seemed as though it might offer perhaps a constructive possibility to consider. I do not understand that it contemplates, as the Senator from Michigan said earlier, a withdrawal from the United Nations. Does the Senator conceive that it would be impossible to create a pact of this kind among 11 or more members of the United Nations inconsistent with their obligations or associations with the United Nations?

Mr. VANDENBERG. I should think that if it was undertaken to create a new and independent instrumentality for the exercise of cooperative force it would be necessary to choose between one or the other, because I do not think there would be any life fluid in either one of them if they were both attempting to function.

Mr. BREWSTER. But the analogy which immediately occurred to me was what the Senator from Michigan said about the regional arrangements.

Mr. VANDENBERG. That is a totally different matter.

Mr. BREWSTER. I do not know whether the Senator distinguishes it on the basis of region, but I am rather forcibly reminded that Moscow is con-

siderably closer to Maine than it is to Rio, so that when it comes to "regional," the welfare of western Europe seems to be very intimately bound with us. Am I to understand that a regional arrangement comprising western Europe and the United States would not be within the contemplation of the provision in the United Nations Charter in chapter 8?

Mr. VANDENBERG. I would not be prepared to express an opinion as to whether a regional arrangement would qualify under the terms of the Charter which lacked the regional cohesion to which the Senator now refers—with an ocean between the segments of the regional arrangement.

Mr. BREWSTER. I should say that the air has abolished the ocean.

Mr. VANDENBERG. Yes; and it has also abolished isolation.

Mr. BREWSTER. For which we are profoundly grateful in the case of the Senator from Michigan.

Mr. VANDENBERG. Yes; and would that the example were more contagious.

Mr. BREWSTER. I was there some years ahead—in 1920.

Mr. VANDENBERG. I should not want to be understood as making any sort of a categorical statement respecting the applicability of the regional chapter of the United Nations Charter to any of these situations, because that is a highly controversial subject. The broadening of the application of article 51—or 52? Which is it?

Mr. BREWSTER. It is 52.

Mr. VANDENBERG. Of article 52, into the type of activity we are discussing, I think was first publicly suggested by Mr. Hamilton Fish Armstrong, the editor of the Foreign Affairs Quarterly, in New York City, which is a highly competent and authentic publication in that field, and it was dubbed, at first, at least, as "the Armstrong policy."

The extent to which that can be practically developed is a subject of controversy, and certainly requires exploration. But I refer to it as simply indicating that there are these divers and sundry alternative methods which must be conclusively explored before we finally come to a conclusion as to what the best evolution is in behalf of the objective which we discuss.

Mr. BREWSTER. Let us suppose that the proposal of the Senator from Michigan made on January 10, 1945, regarding an arrangement among four nations to guarantee certain countries against aggression, were embodied in this proposal as a request to the President to seek to negotiate, would that in any way, so far as the administration of the so-called Marshall plan is concerned, militate against it? I do not now speak of the question of whether it would be endlessly discussed here. I speak of the question whether, if it were in the legislation we adopted, it would in any way impair the power or authority of the administration to go forward with the healing measures which the Senator has proposed.

Mr. VANDENBERG. I suppose not, because it refers to a very specific situation which can be identified, and involves four limited powers. But I think it would have no applicability to the pend-

ing measure, in respect to what we are here trying to do. I should think it would be what I believe lawyers call incompetent, irrelevant, and immaterial, or something of that sort.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. BALL. I yield.

Mr. BREWSTER. I had understood that our entire objective was to secure stability in western Europe; and I had understood that the Senator from Michigan had urged that proposal on the very ground that it was the only way of giving reassurance to the people of Europe that they would have economic order and stability. I also understood that that was exactly the same objective which the pending legislation proposes.

Mr. VANDENBERG. I think the Senator is mistaken, to this extent: The four-power pact which we are discussing was aimed at the resurgence of hostile aggression against the signatory powers. Obviously, the present threat of aggression is from a totally different source.

Mr. BREWSTER. Does the difference in the source make a difference in the principle which may be applied? Does the fact that there might be 11 powers associating themselves against aggression make it less desirable?

Mr. VANDENBERG. That was not what I was discussing. I was discussing the logistic aspects of the question, and saying that it was a perfectly logical postscript to a war against the Axis aggression to propose a four-power treaty among the major allies which defeated that particular aggression, to defend in the future against any resurgence of such aggression.

Mr. BREWSTER. But by no means applicable to an association of 3, 7, or 11 powers to prevent the aggressive action of any other power which may similarly threaten the entire peace of the world. Why is there a difference in principle?

Mr. VANDENBERG. I am not saying that there is any difference in principle; and I am not saying that it is not perfectly appropriate to explore this type of formula as one of many which are available for exploration. I am by no means saying that suggestions of this sort ought not to be welcome to the powers that be, or that they do not deserve study. What I am trying to say is that, despite the fact that the Senate of the United States is the greatest deliberative body in the world, and possesses 96 towering geniuses in its membership, I still doubt whether it rises to such competence that it could be expected, in a few days of debate on another bill, to separate all the various alternative arrangements that can address themselves to this problem.

Mr. BALL. Mr. President, I wish to discuss this amendment tomorrow. I think this little discussion has been very helpful. We now have four possible alternatives pointed out. The Senator from Michigan says there are others. I only hope, Mr. President, that the powers that be in the United States Government are not still studying and exploring the various alternative possibilities of meeting this problem when the iron curtain clangs down on the western shore of Europe.

Mr. VANDENBERG. Mr. President, I join the Senator in that wish. I may add that I hope the Senate of the United States is not bogged down in collateral discussion so long that it is impossible to pass economic recovery legislation before it is too late.

(Manifestations of applause in the galleries.)

The PRESIDING OFFICER (Mr. Ives in the chair). The occupants of the galleries will be silent. Otherwise the galleries will have to be cleared.

Mr. WHERRY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hawkes	Myers
Ball	Hayden	O'Daniel
Barkley	Hickenlooper	O'Mahoney
Brewster	Hill	Overton
Bricker	Hoey	Reed
Bridges	Holland	Revercomb
Brooks	Ives	Robertson, Va.
Buck	Jenner	Robertson, Wyo.
Butler	Johnston, S. C.	Russell
Byrd	Kem	Saltonstall
Cain	Kilgore	Smith
Capper	Knowland	Sparkman
Chavez	Langer	Stennis
Connally	Lodge	Stewart
Cooper	Lucas	Taft
Cordon	McArran	Taylor
Donnell	McCarthy	Thomas, Utah
Downey	McClellan	Thye
Dworschak	McFarland	Tobey
Eastland	McGrath	Umstead
Eaton	McKellar	Vandenberg
Ellender	McMahon	Watkins
Ferguson	Malone	Wherry
Flanders	Martin	Wiley
Fulbright	Maybank	Williams
George	Millikin	Wilson
Green	Moore	Young
Gurney	Morse	
Hatch	Murray	

The PRESIDING OFFICER. Eighty-five Senators having answered to their names, a quorum is present.

Mr. FULBRIGHT obtained the floor.

Mr. LUCAS. Mr. President, I desire to propound a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LUCAS. I wish to inquire how many committees are meeting at this particular time.

The PRESIDING OFFICER. The Chair is absolutely without information on that subject, but will endeavor to obtain it as soon as possible.

The Chair has just been informed that three committees are meeting at this time.

Mr. LUCAS. I presume they have received unanimous consent for that purpose.

The PRESIDING OFFICER. Yes; they have received unanimous consent for that purpose.

Mr. LUCAS. I wish to serve notice that, in view of the importance of the Marshall plan to our country and to the rest of the world, the Senator from Illinois will, at all times when he is on the floor of the Senate, from now on object to any unanimous-consent request for any committee to meet during this debate in the Senate.

We have just had a quorum call, but now there are only about 10 Senators in the Senate Chamber to listen to one of the most important amendments which will be offered to the pending bill.

It seems to me shameful that more Senators are not here to listen to what will probably be one of the most historic debates in the history of our country. With all the implications of this measure as to our future and all that it portends, here we are, meeting day after day, with only a small number of Senators present. No committee meeting, regardless of its purpose, is as important as it is that Senators should have full information about the bill now before us. If committee members are more interested in other subjects which are pending before their committees, the thing for the Senate to do is to vote on this bill promptly and get it out of the way.

Mr. WHERRY. Mr. President, will the Senator from Arkansas yield to me, to permit me to ask a question of the senior Senator from Illinois?

Mr. FULBRIGHT. I yield.

Mr. WHERRY. I wish to be sure I correctly understood the Senator. Did he say that he will object to any unanimous-consent request for any committee to sit and hold hearings during the debate on the measure now pending before the Senate?

Mr. LUCAS. The Senator from Nebraska is correct. I hope that if a unanimous-consent request of that kind is made at any time when I am not on the floor of the Senate, the absence of a quorum will be suggested, in order that I may get here.

Mr. FULBRIGHT. Mr. President, I wish to call up the amendment I have offered, which I believe is marked "A."

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 3 in line 2, after the word "cooperation", it is proposed to insert "and political unification"; on page 3, in line 4, after the words "United States", it is proposed to insert "to encourage the political unification of Europe, and."

Mr. FULBRIGHT. Mr. President, in order to place the amendment in its proper background, I should like to read the two sentences to which it relates.

However, first I should like to endorse what the Senator from Illinois has said, because it is a rather ridiculous performance for a Senator to attempt to make a speech before an almost empty Senate. I would suggest for the consideration of the leadership that we revise the rule as to the making of insertions in the CONGRESSIONAL RECORD, so that we could save the time of Senators by simply having them submit their speeches for printing in the RECORD, and cease having any Senate sessions at all.

The PRESIDING OFFICER. The Chair will observe that much more revision than that would have to take place in the rules before a situation such as the present one could be obviated.

Mr. FULBRIGHT. I have suggested that a solution of it would be to revise the rules so that it would not be necessary to have any meetings at all of the Senate, but simply have Senators submit their remarks for printing in the CONGRESSIONAL RECORD. That would solve the difficulty.

Mr. President, the amendments I have offered relate to section 2, which is entitled "Findings and Declaration of Policy." That is the portion of the bill which merely states what are our goals and our objectives in connection with this proposed legislation.

I wish to read the portion of section 2 which will include the amendment I propose:

Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is the hope of the people of the United States that these countries through a joint organization will exert sustained common efforts which will speedily achieve that economic cooperation—

And at this point my amendment would insert—
and political unification—

Then the language of the bill continues—
in Europe which is essential for lasting peace and prosperity.

The next sentence, together with the amendment, reads as follows:

Accordingly, it is declared to be the policy of the people of the United States—

And at this point my amendment inserts these words—
to encourage the political unification of Europe, and—

That ends my amendment, and then the present text of the bill continues, as follows:

to sustain and strengthen principles of individual liberty, free institutions, and genuine independence of Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation:

When one first looks at the language of the amendment alone it would appear that it is short and simple and that perhaps it might have little significance, but I think that if Senators will consider it seriously they will realize that it has considerable importance. The theory of the whole bill, beginning with its title, "The Economic Cooperation Act of 1948," appears to be that the economic rehabilitation of Europe is sufficient to insure the continued existence of a free and independent political community in that region. I do not think that is a sound theory. Economic rehabilitation of Europe certainly is essential, but it is by no means the whole story. I have often heard it said that the wars in Europe had grown out of the economic conditions of European countries. Senators have often been told that in World War I Germany's economic condition was responsible. I think our experience has shown there is very little truth in that. In fact, in 1914, before the war, I do not suppose there was any area in the world that was more prosperous than western Europe, not excluding this country. We had greater potential wealth, but the actually developed per capita wealth I think which was disposable in countries like France at that time was equal to our own. Of course, it is difficult to believe that now, but this suggestion of economic rehabilitation as being the solu-

tion of the difficulties is, I think, based upon an erroneous theory.

Secretary Marshall, at Harvard last June, among other things, said:

Any assistance that this Government may render in the future should provide a cure rather than a mere palliative.

I think that was the key sentence of his speech.

It is my conviction that the revival of economic prosperity in Europe, without political unification, is a "mere palliative" and is not a "cure." I do not believe that the relatively small independent political sovereignties of Europe, as they now exist, can, under modern political and economic conditions, maintain their independence for very long. Customs unions can help bring people together, but unless they develop into political unions, they have little real strength.

I think our own experience as a country demonstrates that to be so. It certainly is the thing that has kept us together. It has not been our economic agreements. On the contrary, what has held us together and what holds us today is the existence of political agreements or the political structure of our Constitution. I dare say from reading the newspapers even within the last week, if we did not have the Constitution there would be great danger of a split-up in this country, and it would not be held together by whatever economic arrangements or agreements may exist among the several States.

The committee's report on this bill admits in a sense that economic rehabilitation is not enough when it says, on page 45:

It is therefore implicit in the program that at its end lies, not only economic cooperation in the form of customs unions and the elimination of trade and economic barriers set forth in the CEEC report, but also closer political and cultural bonds. This need has already been stressed by British, French, and other leaders.

If this is implicit in the bill, I am unable to see any good reason why it should not be explicit, which is the purpose of my amendment.

Europe is sick, very sick indeed. It is not alone economic illness that afflicts her; her spiritual and moral illness is quite as serious. Europe needs to have an explicit goal worthy of great and sustained effort. The recreation of the same old crazy-quilt pattern of nationalistic sovereignties that resulted in two world wars in 25 years is not such a goal.

Prime Minister Smuts, of the Union of South Africa, one of the great statesmen of our time, a practical man of politics—not one of those who are so glibly referred to as "do gooders," as some of us are referred to—and who understands world affairs, as few men in the world today understand them, spoke just a few days ago about the so-called Marshall plan or the recovery program. I think it is well worth while to put it in the RECORD, especially since there are so few here to hear it. I think I shall read most of his statement. This was taken from the New York Times on February 29, so that it was only last week that he made the statement. I submit it as a

very persuasive argument for making explicit the goal which the committee says is implicit in the bill. Marshal Smuts said:

When I look at the world situation, I think first of the necessity for saving and rebuilding Europe. Europe is the heart of our world problem today. Europe is the traditional center of the civilized world. It holds the great concentration of brilliant peoples who have made the modern world, the centers of commerce, the wells of culture. Beside it the problems of the rest of us are not of the same order of urgency.

But Europe is sick, very sick. And so long as that is so, so long as the danger exists of Europe sinking into revolution and chaos, there can be no real peace for the rest of the world.

That is why I think the Marshall plan is of the first importance. It brings the resources of the United States to the rescue of Europe where necessary, and will supply the materials to revive the Continent where she cannot help herself.

But the Marshall plan is not enough. It is only the beginning. Material aid alone will not save Europe. Europe needs a spiritual awakening—a hope to hold on to. That hope is closer cooperation and union—a western union such as Mr. Bevin (Ernest Bevin, British Foreign Secretary) has suggested and to which the British Government is now committed. A governing concept is needed, a vision of the new Europe which will appeal to the imagination and a new clarion call to its suffering peoples.

In that union Africa can also play her part. Africa is divided into territories nearly all of which belong to or are allied to the nations of western Europe. Africa and America are affiliated to Europe, to the western company of nations.

Africa, like America, can supply the resources needed to rebuild Europe, and the Union of South Africa in particular is rich in the things which Europe requires. Our special contribution here to the pattern for peace will be to protect and develop our agricultural, mineral, and industrial wealth and in collaboration with the great territories to the north of us, to produce the things which will help Europe to live again.

In the restoration of Europe, Russia is not excluded except by her own choice. She started her eastern bloc and is now resisting the Marshall plan and the economic restoration of Europe. She has chosen to isolate herself. In so doing she has set the stage for the possible division of the world into two or perhaps three blocs.

We may have the western union, made up of western Europe and Britain—the English Channel has ceased to have significance. Africa and North America have their links with that union. Then we may have the Slav bloc, consisting of European and Asian Russia and all her satellite countries. Thirdly, there may yet arise what you may call the far eastern bloc, the exact shape of which it is still too early to discern clearly.

But it would be a mistake to think that this division of the world means war. It does not make war any more or less likely. I do not think you, who are a young man, will see another world war in your time.

In the world picture, as I see it, there is no room for war. Nobody wishes or can afford it. The point is this: We must get clear in our minds what is actually happening, what are the natural world forces now shaping the future, and we must study and know them if we are to make a success of the peace organization. Our peace arrangements must then be made to fit into them. Then only can we make a success of that peace and only then need we have no fear of war.

You cannot say that the formation, for instance, of a western European union is an

irritant to the world position. It is not a question of our ganging up against the Russians, because long before Mr. Bevin mooted it the Russians were busy forming their own bloc. It is a fact of history. But I do believe in the necessity for correct timing, for taking things at the tide. And that is perhaps the mistake we made with the United Nations. We anticipated events. We are ignoring the facts of history now developing before our eyes. And that is why I say we are looking at the world through the wrong end of the telescope.

Before peace has been made effective we have formed the United Nations and, by setting it up prematurely, we have imperiled its success, perhaps its existence. Because the peace had not been concluded, the United Nations, through the Security Council, got dragged into disputes which it was never designed or intended to deal with.

The fact that the United Nations might be held out as an ideal toward which to work has done nothing to lessen the bitterness of those disputes. It has provided them with a battleground, with world publicity. The platforms at Lake Success and Flushing Meadow have merely afforded stamping ground for selfish national aspirations.

As I have said, Europe is our first priority. We must first make peace in Europe a reality. When that is done and we can more clearly see the new international alignments which will emerge, we can concentrate the more effectively on building up a workable international organization and make it fit into the pattern of the factual world situation. The final shape of the peace plan may be very different from the instrument we have constructed in the charter.

I do not think the statement in the committee's report that the aim of closer political bonds is implicit in the program could arouse the imagination of the Europeans. Certainly it does not arouse my enthusiasm to have it in the report and to have nothing whatever in the bill relating to a closer political union.

Mr. President, in further support of this thought I wish to call to the attention of the Senate the testimony of Mr. John Foster Dulles before the Committee on Foreign Relations. After all, Mr. Dulles should and does rank, in my opinion, along with the first two or three or four men in our country of great experience and judgment in international affairs.

First, he quotes the President of France, at the time when Mr. Dulles had recently returned from France:

Europe must unite herself if she wishes to recover and live, and if she does not want American assistance to be a gesture without future or a humiliating charity.

Mr. Dulles had this to say with reference to the unification of Europe:

I think the situation is ripe for a really creative act in Europe.

I think that is the most encouraging sentence I have seen on this subject.

Mr. Dulles also had this to say with reference to the unification of Europe:

I think the situation is ripe for a really creative act in Europe. We can play a very great part in promoting that if we handle ourselves skillfully. If we try to coerce it too strongly, too brutally, the reaction will be against it. If we do nothing and merely subsidize the continuance of the present disunity, and as you say, indicate a readiness to say to them in effect, "Well, if you stay disunited, if you take all the perils and economic

weaknesses that go with that, nevertheless we will stand behind each of you"—if we say that, then the easy thing to do is to let the present situation continue. We have got to strike the correct balance between the extreme on one side and the extreme on the other side. It is a matter of great delicacy, but the situation, as I say, is ripe for a great creative act, and if that act takes place, then we don't need to bother any more about European recovery plans and putting up the "dough." That will cure the situation.

I think Mr. Dulles has exactly the same thought in that passage as I have. We must bring about a creative act.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. LUCAS. Has the Senator placed in the RECORD up to this time the amendment which he has offered?

Mr. FULBRIGHT. The clerk read it a few moments ago.

Mr. LUCAS. In view of the statement which Mr. Dulles made, in view of the fact that the Senator has such reliance upon his judgment and wisdom, which I share, and in view of the fact that Mr. Dulles said that it is a very delicate situation to meet, I suggest that, if the amendment is not too long, this might be a good place to reread it into the RECORD to ascertain whether the amendment meets the conditions laid down by Mr. Dulles.

Mr. FULBRIGHT. I think that is a very good suggestion. The difficulty is that in order to make sense we shall have to read the other two paragraphs, because my amendment is simply the insertion of three words in one place and seven words in another place, which makes specific the goal of the unification of Europe. That is all my amendment seeks to do. Does the Senator suggest that I read those two paragraphs, including my amendment?

Mr. LUCAS. All I had in mind was having the amendment which the Senator offers read in connection with the Dulles statement, because the Senator is relying on the Dulles statement, and a great number of Senators and many persons throughout the country are relying on the wisdom of Mr. Dulles on international matters. My only thought was that the Senator, following the statement he made about Mr. Dulles, might read his amendment, which would give Senators and other persons reading the RECORD an opportunity to measure the amendment with the words of Mr. Dulles.

Mr. FULBRIGHT. I have one further quotation from Mr. Dulles. Perhaps following that would be the proper place in which to insert it.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. LODGE. I should like to say that I agree very heartily with the Senator from Arkansas that the political unification of Europe is something devoutly to be desired, and that the nations of Europe standing together can be strong and effective, whereas, separately they are subject to all kinds of victimization. I have drafted language, some of which is in the bill, which I submitted to Mr. Dulles, and if the Senator will permit

me, I should like to read a quotation at page 623 of the hearings. I read this amendment to him:

Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to Europe as a whole, it is the hope of the people of the United States that the participating countries through a joint organization will exert sustained common efforts which will speedily achieve that economic integration of Europe without which lasting peace and prosperity are impossible.

That is the first sentence. The second sentence is:

Progress toward the effectuation of this European responsibility shall constitute a measure of the aid to be extended under this act.

Then I asked Mr. Dulles whether it went in the right direction, and on page 624, he said:

I think this is precisely along the line that we ought to go. In fact, in my statement I suggested even going a little further, where I said: "The degree of aid should, broadly speaking, be measured by the degree of cooperation."

In other words, I would like to get the thought expressed here that not only does progress toward the effectuation of this constitute a measure of the aid to be extended, but the more rapid the progress is the faster the aid will be, and the slower the progress made the slower the aid will be. I think it would be well if you could get that thought in there.

But I think yours is a very excellent expression of the kind of thing I had in mind.

Then he said a moment later:

That avoids the danger that Senator BARKLEY referred to: Of our seeming to be coercing them or putting upon them goals which they themselves have not freely accepted.

This language, with some modifications, is in the bill at the present time, and most of it is taken from the report which the European nations themselves wrote and signed in Paris in September of last year. So that what we are saying in the bill today is that the American people hope that the European nations will do the thing the European nations themselves say they want to do.

That, I think, is absolute proof against any accusation of imperialism, that we are trying to force something down their throats, or are trying to use this proposal to create a political alliance. Foreign Minister Bevin made his speech, and I proposed to the committee, feeling just as the Senator from Arkansas does, that we add the words "consolidation of Europe," which, of course, has the implication of political unification. The committee felt—and I must say that after listening to them I agreed with them—that if we inserted anything about political unification in the bill it would make it look as though we were deliberately trying to form an alliance, and that certain nations in Europe which are in a very precarious situation would thereby be debarred and frightened from joining, that the language we have at the present time, therefore, is just about as far as can safely go. Bearing in mind always that I personally feel the way the Sena-

tor does, I think there are limitations as to what we can put in the bill.

Mr. HILL. Mr. President, will the Senator from Arkansas yield?

Mr. FULBRIGHT. I yield.

Mr. HILL. As I understand, then, the committee did carefully consider the matter to which the distinguished Senator from Arkansas is addressing himself?

Mr. LODGE. The committee did not consider his specific amendment, because it was not before it, but the committee did consider the question of writing some language into the declaration of purpose on page 2 which would carry out the idea that we desired political unification, and the committee decided not to do it, not because the members of the committee were not in favor of political unification, but they did not think it was expedient to put it into the specific terms of the bill. The language beginning on line 20, it was felt, was as far as we could go. It really goes quite far, because it means that at the end of the first 12 months' period the Congress will see what progress the nations have made toward economic integration, how much vigor there is in the joint organization to be set up under the bill, and it serves notice on them that the amount of future aid will depend on the headway which has been achieved. In other words, while it is not set up in the bill as a condition precedent to writing a bilateral agreement, I think it is even more fundamental than that.

I thank the Senator for giving me this time.

Mr. HILL. Mr. President, will the Senator from Arkansas yield further?

Mr. FULBRIGHT. I yield.

Mr. HILL. Did the Senator from Arkansas see the report of Mr. Attlee's speech of yesterday or the day before?

Mr. FULBRIGHT. I wish to make a reference to that a little later.

Mr. HILL. If the Senator is to refer to that, I shall not intrude upon his speech longer. One reason why I interrupted was that I have been very much impressed by all the Senator has said, and I certainly share his feelings that we all want to do whatever we can to lend encouragement and to give emphasis to political unity in Europe.

Mr. FULBRIGHT. Mr. President, I was present the day the Senator from Massachusetts was questioning Mr. Dulles, and I later reread the testimony very closely, and I am unable to see that what is in the bill is the great "creative act" to which he referred several times. I do not see that the committee followed what Mr. Dulles had in mind. Mr. Dulles made several references to what the President of France had said about a union and what Mr. Attlee had said about a union. As I read Mr. Dulles' testimony, it is very strong toward the idea that if we do not get a union, which I take to be a creative act, we do not get much, if anything. What does the language I just read mean when he says—what I think we are doing:

If we do nothing and merely subsidize the continuance of the present disunity and, as you say, indicate a readiness to say to them, in effect, "Well, if you stay disunited, if you take all the perils and economic weaknesses

that go with that, nevertheless, we will stand behind each of you."

That is exactly what the bill says—"It does not make any difference about political unity; we are going to stand behind you and subsidize you." When we take his language, although he did not have the benefit of this bill—this was said before the bill was finally drafted—it seems to me it exactly characterized just what the bill does. It is strictly economic. It carefully avoids any reference to any political unity. That is the way I read it.

Mr. LODGE. Mr. President, will the Senator from Arkansas yield?

Mr. FULBRIGHT. I yield.

Mr. LODGE. I call the Senator's attention to page 624 of the hearings, where I asked Mr. Dulles for his opinion, and this is his language:

I think this is precisely along the line that we ought to go.

It seems to me that is a very definite indorsement of what is advocated, and I think his subsequent reference to what the Senator from Kentucky [Mr. BARKLEY] had said is an indication that Mr. Dulles did not want the United States to be put in the position of coercing anybody.

Mr. FULBRIGHT. He was speaking there, in that language, only as to the economic goals, but he by no means was limiting it to the economic goals. That is not the "creative act" he had in mind.

Mr. THOMAS of Utah. Mr. President, will the Senator from Arkansas yield?

Mr. FULBRIGHT. I yield.

Mr. THOMAS of Utah. The Senator from Arkansas and the Senator from Utah have been striving for some time, in a legislative way, to have an expression from the American Government in favor of unity in Europe. Mr. Dulles' name has been mentioned, and I think there is another part of the record which should be cited to show that at the time he had in mind that this scheme ultimately would not work unless the kind of unity were reached which would make it possible for us to deal with the group of European states. He goes very much further even than that.

If the Senator from Arkansas will permit, I should like to place the testimony in the RECORD at this place, because I think it helps the argument, and when the wording of the amendment is inserted in the RECORD after Mr. Dulles' suggestion, I think it will make the matter very much clearer.

Mr. FULBRIGHT. Will the Senator give us the page to which he is about to refer?

Mr. THOMAS of Utah. It is page 613 of the record. I happened to be the one questioning Mr. Dulles at the time, and I said:

You mentioned three minimum unities which the 16 nations must have in order for this plan to work out: (1) The unity brought about by a mutual defense organization in some way; (2) the unity achieved by some sort of agreement in regard to the passage of goods back and forth, something like a customs agreement; and (3) the stabilization of moneys agreement.

Now, my question is this, and my point is this: All those three things I have stood for all the time, as everyone knows. If we do not have a unity in the 16 nations in the operation of this loan or gift or whatever it is, it will, of course, disintegrate very quickly as soon as something happens to any one of the 16 nations.

You mentioned that these targets could be written into our law. I think that the targets have got to be written in. You do not want to go through with this program—do you, Mr. Dulles—if there is any fear from the defense standpoint, that half of the 16 nations are going to be against you in the course of a year? That is certain; is it not?

Mr. DULLES. Yes, sir.

Senator THOMAS of Utah. Now, what are we going to use? If we are going to use American dollars for any loans, we want those dollars to carry the same equivalents in all 16 countries; do we not?

Mr. DULLES. Yes.

Senator THOMAS of Utah. As to the third one, with regard to the movement of customs, we expect that which we send to one country that has to be transported to another country to have free passage, because we want it to count for the full value that we give it at all times.

In other words, if you do not bring these minimum unities about, the very effect of anything we can do can be destroyed by the competition between the various 16 countries; can it not?

Mr. DULLES. Yes.

Senator THOMAS of Utah. Yes.

Mr. DULLES. Then you and I agree.

Senator THOMAS of Utah. We are in such complete agreement, one needs no further questions, except to emphasize: These things, in your opinion and mine, must be written into this act in order that the 16 entities now may operate and continue to operate as a unity and an entity.

Now, then, one more question, and I am through. Every witness has said that the economy of western Europe depends upon the German economy. Has not the time come when we should think, therefore, of 17 countries in this unity instead of 16? We cannot do it, technically, due to various reasons.

And then, of course, Mr. Dulles agrees that the seventeenth country should be one of those constituting the entity.

Mr. President, a person cannot state any more strongly the desire for political unity than when he stands for a union all the members of which will deal with money in the same way, when he stands for trade between the various states of Europe on such a basis that everything will have the same value in one state as it has in another, so that the American dollar will go as far as it can, and when he advocates provision being made for—to use the words of our own Constitution—"the common defense." Those were the suggestions made in the hearings, and if they do not mean the United States of Europe, I simply cannot understand what they mean.

Mr. FULBRIGHT. I thank the Senator for his contribution. I agree entirely with him.

Mr. HILL. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. HILL. Is it not true that the distinguished Senator from Utah joined with the distinguished Senator from Arkansas in the last session of Congress in submitting a resolution expressing it to be the sense of the Congress that

there be political unity; to wit, a United States of Europe?

Mr. FULBRIGHT. It is just a year ago this month the resolution was submitted.

Mr. HILL. That is a historical resolution.

Mr. McCLELLAN. Mr. President, will my colleague yield?

Mr. FULBRIGHT. I yield.

Mr. McCLELLAN. I notice the first minimum of unity mentioned by the Senator from Utah, referring to the minimum requirement mentioned by Mr. Dulles, is "the unity brought about by a mutual defense organization in some way."

What I want to inquire of my colleague, or of any other Senator, is whether the pending bill in any way provides for such a defense organization between the 16 European countries.

Mr. FULBRIGHT. I shall be glad to yield to the Senator from Utah to answer the question.

Mr. THOMAS of Utah. I would rather have the Senator from Arkansas answer that question. But I believe a consistent answer would be, first, in keeping with what the Senator from Massachusetts [Mr. LODGE] has told us. The bill contains a provision that any of the various unities may develop and carry on business in an effort to bring about their own recovery. We brought up the question of the international control of the Ruhr, an idea which delves very much into the future. We agreed among ourselves, in committee at least, that if, for example, an organization providing for the international control of the Ruhr should be developed, it would be perfectly feasible and perfectly proper to consider that as one of the unities with which we could deal. We brought up the question of colonies, since the old bill had referred to colonies. That provision was not included in the pending bill. We brought up the question in regard to Trieste to see whether we could deal with a free territory of that kind, and it is included in the bill, and it is assumed that we can move into that area and cooperate with them. The whole fabric of the European recovery plan will fall unless there is created a desire on the part of all the nations to bring themselves together in a customs union in such a way that they can all be treated alike and treated in the right way.

Mr. McCLELLAN. Mr. President, will my colleague yield further?

Mr. FULBRIGHT. I should like to comment a little further and then I shall be glad to yield. I do not mean to imply that the bill in any way prohibits these nations from working together. All I say is that there is no affirmative statement which expresses even our approval of a political unification. The bill always uses the adjective "economic." It is the "economic" recovery. In almost every sentence there is to be found the word "economic." The use of any other word was carefully avoided for the reason, I believe, that the Senator from Massachusetts gave—and with which I disagree as a matter of judgment—that at this late date we should be timid

about expressing our views. I think 2 years ago or 3 years ago when it still seemed as though we might be able to conciliate or appease the Russians it might have been good strategy, but it appears to me that at this late date we ought to say we approve of a union, because I do not see any other hope for the success of the program.

Mr. McCLELLAN. Mr. President, will my colleague now yield?

Mr. FULBRIGHT. I yield.

Mr. McCLELLAN. I compliment my colleague, and I assure him that I share, indeed, I more than share, the apprehension he is expressing by his amendment and by his effort to strengthen the legislation. All I have to say respecting what my colleague is undertaking to do is that I believe his amendment does not go far enough, because I am fully convinced that if the American people are to make the further investment now proposed in the stability of Europe and in the peace of the world, we had better be ready and willing, and make no mistake about it, to let the world know that as we make this investment we intend to protect it.

Mr. FULBRIGHT. I thank my colleague for his contribution. I am glad to know he feels as he does about the matter.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. LODGE. I am obliged to the Senator from Arkansas for touching off this very interesting debate, and for his generosity in yielding. I think we are throwing a considerable amount of light on a very important subject.

The Senator from Arkansas says that we should not be timid about saying that we favor the unification of Europe, and that the time for being timid about Russia's feelings has passed. I agree with that. My reason for not wanting to write political unification into the bill is not because of timidity with regard to Russia. It is not a question of our being timid toward Russia; it is a question of our being tactful toward the small nations, because they are timid toward Russia. I believe that in the field of international affairs the question of tactfulness must always occupy a very high place.

Mr. FULBRIGHT. I agree that it should, and I think that the description of the way to handle it is the one that Mr. Dulles gave. It is quite appropriate. If Senators will note the language used, it is "we hope." I would not approve of saying, "You must do this or that before we will give you a nickel." The language used is, "we hope" that they will move toward unification. That is the first expression. Then later the statement is made that it is the policy "to encourage." I do not call that very untactful or very coercive language. It is about the least we could do to express our approval. The resolution which was referred to a moment ago merely expressed our approval of the formation of a United States of Europe. I do not know how much less coercive we might be.

I well understand how a country such as Sweden, which is confronted by Rus-

sia, might not want to participate, but the language in question does not say that all of them or any particular one of them must join. I think the way the plan should develop is that France, England, and the Benelux countries should get together in the first instance and work out the basis for union. That is the core of the situation. If they cannot get together there can be no union. If they can, they will have established a core around which the others may gravitate. I would not blame the Swedes at all for not in the first instance joining, because of their particular situation vis-à-vis Russia. But if once a stable union is established among the countries I first mentioned, then there would be some place for the Swedes to turn. Now they have no place to turn. In fact, none of the countries in question have any place to turn for protection except to us.

The only way we shall ever be relieved of these continual demands for assistance is by creating a situation which is self-supporting. That is the very practical aspect from our point of view.

Mr. LUCAS. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. KEM in the chair). Does the Senator from Arkansas yield to the Senator from Illinois?

Mr. FULBRIGHT. I yield.

Mr. LUCAS. It is my understanding that three of the small nations in Europe already have customs unions around which could be built the very thing about which the Senator is talking. In other words, a start has already been made among some of the smaller nations, and all that would be needed would be two or three of the larger nations to make this plan effective.

On page 2 of the bill, in line 20, there is the following language:

Mindful of the advantages which the United States has enjoyed through the existence of a large domestic market with no internal trade barriers, and believing that similar advantages can accrue to the countries of Europe, it is the hope of the people of the United States that these countries through a joint organization will exert sustained common efforts which will speedily achieve that economic cooperation in Europe which is essential for lasting peace and prosperity.

It is my understanding from the Senator from Massachusetts [Mr. LODGE] that that language is adopted from the report submitted by the 16 nations.

Mr. LODGE. That is correct.

Mr. LUCAS. In other words, the committee has written into the bill the very language which the representatives of the 16 nations embodied in their report. For the life of me, I cannot see that the addition of the words proposed by the Senator from Arkansas could be construed as intimidating or coercing any nation, in view of the language of their representatives, found in the report.

Mr. LODGE. If the Senator will permit an interruption, the language of the 16 nations refers to economic matters and not to political unification.

Mr. LUCAS. That is true, but the language of the bill is:

Mindful of the advantages which the United States has enjoyed through the ex-

istence of a large domestic market with no internal trade barriers.

What are they thinking about? They are thinking about our United States of America, with no internal trade barriers between States. Consequently they must be thinking about their own countries and about the 16 nations involved eliminating the trade barriers which exist today between them. Otherwise they would have no reason to put that language into the report.

My only argument is that in view of the fact that they have seen fit to write this language into their own report, and recognizing, as they do, their own limitations with respect to the trade barriers which exist between those nations, certainly I think they would gladly accept a declaration of policy such as the Senator suggests, as helping them out with their own people, by reason of knowing what the policy of the United States is along this line.

Mr. FULBRIGHT. Mr. President, the last statement of the Senator is exactly what I think is the great benefit of this declaration. If we put ourselves in the position of an elected official in one of the states of Europe, the assistance of a declaration such as this coming from us would be tremendous, because it is a delicate matter for them to make any proposal which may infringe upon their own nation's sovereignty, purely as a matter of politics. Any Senator, if he will give thought to the question, will see the force of that argument. I shall come to it a little later. That is what I am confident Mr. Dulles had in mind when he said that what they want is a "little push." He meant President Auriol and Mr. Bevin. They want "a little push." As he says, it must be done skillfully and delicately. They do not want to be kicked, but they want "a little push" so that they can say to their people, "This is one of the goals of the entire proposal." As the Senator well knows, in England and other countries there is a great deal of opposition to the entire plan. I feel that that is what Mr. Dulles meant when he referred to a creative goal and what General Smuts meant when he said that we must have some kind of a hope, some kind of a goal toward which we are working, so that the idea can be sold to their own people.

Mr. HILL. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. HILL. The key word in the sentence a part of which the Senator from Illinois has read is the word "hope."

Mr. FULBRIGHT. That is correct.

Mr. HILL. This does not say that anything shall be done, or that we insist that anything shall be done. It does not even say that we strongly urge, or even urge that such and such a thing be done. It is simply an expression of the hope which the Senator says General Smuts expressed in his speech. That is our hope.

Mr. FULBRIGHT. It seems to me that it is our hope. I cannot see any other hope in the whole program. Unless it results in unification, I think it is of no lasting value.

Mr. HILL. It is difficult for me to see how there could possibly be any dis-

sent or disagreement, or demurring on the part of the people of Europe if we simply express the hope.

Mr. FULBRIGHT. That is true, with the qualification which the Senator from Massachusetts mentioned. I quite recognize that Sweden and Norway, being so close to Russia, might say, "We cannot enter into such an arrangement." That is perfectly all right. That would not offend us. We recognize their dependent position, certainly in the initial stages. But that still does not destroy the value of the program.

Mr. HILL. As to the Senator's second amendment, in line 4, on page 3, all that is proposed there is to declare our own policy. We do not say, "You must accept this policy." We do not even invite them to accept our policy. We simply say that in providing aid for the restoration of those nations it is our policy, speaking for the people of the United States, to do what we can to encourage political unification in Europe. That is our policy. We do not say, "You must accept our policy."

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. BARKLEY. I merely wish to comment on the suggestion made by my friend, the Senator from Illinois [Mr. LUCAS], with regard to the language of the bill referring to the elimination of trade barriers. It was not in contemplation, and could not be in contemplation, that that language was used necessarily in connection with the creation of a United States of Europe, or in connection with the political unity of Europe, merging all governments over there and creating one nation, with the separate entities which now exist as independent nations—and which we hope will continue to exist as independent nations—as mere states. Of course, it is possible for all those countries to enter into agreements eliminating or reducing trade barriers, without any political amalgamation of the continent of Europe. It is that sort of thing which was contemplated in the language referred to.

There may be no virtue in the fact that a committee thrashes out exhaustively and decides what it will or will not do; but the committee did give consideration to the whole subject raised by the amendment of the Senator from Arkansas. While we may entertain the hope that there would be a merger or amalgamation of the nations of Europe into one country, we cannot by implication make that a condition upon which we make this aid available.

Reference has been made to the fact that Mr. Dulles said that Bevin and Bidault want to be given a little push, a little shove. That is what we are attempting to do in this bill. We are attempting to give them a big push. We are giving them the aid they asked for. We are giving them the push or shove they asked for, following the suggestion of Secretary Marshall in his speech, which was based, of course, upon the fact that we could not forever continue to keep Europe on the dole, and that if we were to help her to recover, she must find out first what she could do for herself, and what each of the countries could

do for itself and for its neighbors. Following that suggestion, which I think was very wisely made, it became a European plan. It was called the Marshall plan, but it was not a Marshall plan. It had no blueprint. It was a mere suggestion of the Secretary of State that Europe herself get together and see how much she could do that she was not then doing in the form of self-help. It had to be a European plan. We could not impose it upon other countries. We could not impose the aid we are offering in this legislation upon them, originally.

We could not initiate anything, except by way of making a suggestion, as General Marshall did, that they get together and work out a plan of their own.

Mr. FULBRIGHT. All this constitutes merely a suggestion.

Mr. BARKLEY. I think we have gone as far as we can wisely go in this legislation, to tell Europe what it ought to do. I grant that it is our money; but if we are assuming that we are doing it purely for Europe, we are living in a fool's paradise. We are as much interested in this recovery as Europe is, in that particular sense of the term.

Mr. FULBRIGHT. I agree with the Senator, and that is why I think there should be some goal besides the mere handing out of money. There ought to be some benefit to this country.

Mr. BARKLEY. When the 16 nations met over there to work out this plan, they were not called together to consider political unity. They were not called together to consider the amalgamation of those countries into one nation. They were called together to work out a plan by which, economically and industrially, they might recover their equilibrium and go forward.

Mr. FULBRIGHT. I should like to ask the Senator, Were our founding fathers called together at Philadelphia for the purpose of creating the Constitution which they wrote?

Mr. BARKLEY. No.

Mr. FULBRIGHT. They were not; and the fact that the 16 nations were not called together for this purpose is no argument at all, if we can accomplish the unification of Europe.

Mr. BARKLEY. A few of the founding fathers met in Annapolis, Md., to settle a question in dispute between Maryland and Virginia. They adjourned the meeting of their own accord, to meet in Philadelphia, and asked all the Colonies to send delegates.

Mr. FULBRIGHT. It was not within the terms of their instructions to draw up the Constitution, however.

Mr. BARKLEY. No; it was not. It was their purpose to try to amend the Articles of Confederation. But instead of doing that, they wrote the Constitution. Of course, we are grateful to them for their courage and foresight in doing that, even though they did not have specific instructions to do it.

But this situation is different. There was no definite federation of Europe. It was only a loosely knit confederation which came out of the war. The nations of Europe are independent entities.

Mr. FULBRIGHT. The State of Virginia thought it was an independent entity in 1787, and in some of the States I

think there is evidence that the people still think they are independent nations. [Laughter.]

Mr. LUCAS. Mr. President—

Mr. FULBRIGHT. I yield to the Senator from Illinois.

Mr. LUCAS. I realize that I am not a member of the Committee on Foreign Relations—

Mr. FULBRIGHT. But the Senator from Illinois was a member of it for a number of years.

Mr. LUCAS. Yes; a few years ago I was a member of that committee, until the famous Reorganization Act reorganized me out of it.

Of course, I do not desire that we should do anything that would be distasteful to the European nations who are to get help from the United States.

Mr. FULBRIGHT. Mr. President, will the Senator from Illinois wait for a moment? I think I have some interesting material on that point, which I shall present a little later, if that is what is bothering the Senator from Illinois.

Mr. LUCAS. Yes; it does bother me to hear the Senator from Kentucky make the kind of statement he has just made. I have read carefully the language of the bill and I have tried to fairly construe the bill together with the amendment offered by the Senator from Arkansas. But I cannot yet see how the bill with the inclusion of his amendment would in any way be offensive to the European governments which are to receive the relief from the United States.

Mr. FULBRIGHT. The Senator from Illinois is entirely correct. I agree with him 100 percent.

Mr. LUCAS. In reply to my able friend the Senator from Kentucky, I say it is true that this part of the language of the bill, which is taken from the report submitted by the 16 nations, deals with the recovery program known as the Marshall plan. On the other hand, when the 16 nations in a report of that kind agree that internal trade barriers are a detriment to their economic recovery, and then cite the United States of America as an example of what has happened when trade barriers have been removed, which is what occurred in the United States following the time when the founding fathers gave us the Constitution, one cannot read that language without coming to the conclusion that once these economic barriers are eliminated, those countries will also gradually be driven toward the political unity which all of us hope will occur between those 16 nations or between a large number of them. As I view the situation, that development simply cannot be avoided. In other words, when those nations talk about the elimination of trade barriers, they are getting rather close to talking about political unity, because once all trade barriers are removed, there is a very fair chance for getting the federation of states in Europe that the Senator from Arkansas is talking about, and which all of us hope for.

Mr. FULBRIGHT. Mr. President, I say to the Senator from Illinois that in several places in the CEEC report of last September, there is language that is nearly as strong as the language of my amendment, and that language indi-

cates, I think, that that is the direction in which those nations would like to go. I simply think we should respond promptly by saying, "Yes, we approve of that, that is our real hope."

Mr. LUCAS. Mr. President, if I thought for a moment that the language the Senator from Arkansas proposes would in any way be taken by the European nations concerned as an interference with their internal affairs or with their sovereign rights, I certainly would not wish to vote for its inclusion in the bill. Apparently the committee seems to think the language will be interpreted in that way. But as I read the amendment and as I observe what is occurring in Europe, judging from the reports in the press and statements from the leaders abroad, I think the leaders of these nations want this kind of a declaration, so that they can go to their people with it.

Mr. FULBRIGHT. I think that is correct. I think the Senator's great experience in politics leads him to that correct conclusion. That is exactly what I think, too. I suggest to the Senator that if he is able to find time to read the very detailed analysis of this proposal, he will find that it is not a new idea, but it has been occurring in Europe for 300 years. Also, it has been occurring among some of the leading people in our own country. It is not a new idea. For many years the leaders of those countries have been wishing to have something of this sort. I refer to the great thinkers and many of the political leaders in those nations.

The idea that such a statement would offend them or would be construed by them as an alien interposition is completely aside from the point, I think. It seems to me that the Senator from Illinois has put his finger directly on the essence of the amendment.

Mr. LODGE. Mr. President, will the Senator yield to me?

Mr. FULBRIGHT. I shall, but I have hardly begun my own speech. However, I yield.

Mr. LODGE. I think this is a very interesting and important subject.

Mr. FULBRIGHT. I thank the Senator.

Mr. LODGE. And I am grateful to the Senator from Arkansas for bringing it up in this comprehensive way. Having had something to do with the language of the bill, his suggestion interests me very much indeed.

I suppose there is no Member of the Senate who is more enthusiastic than I am about the unification of Europe, or who believes more than I do that the Marshall plan must implement some new, constructive ideas, or else it will never get off the ground. I agree with that position, and I agree with the Senator from Illinois when he states that if internal trade barriers are eliminated in those nations, so that they have a large domestic market, just as we have, the result will be an inevitable move toward closer ties in other directions. Certainly our political strength and our military strength and all our other strength depend on that principle, and one thing of that sort leads to another.

But I also have the feeling that if we put into this bill any statement which

might create the impression that it is a device to achieve political unification in Europe, we shall be playing right into the hands of the Bolshevik propaganda trap, not that they cannot tell a barefaced lie without having any excuse for it, because they can; but we shall be giving them a peg on which to hang a hatful of distortions.

The genius of the Marshall plan is that it appeals to the European instincts of self-help. But if we include in this bill any suggestion that we are trying to create a unification of European nations, which is what the Russians constantly are saying we are trying to create, that will tremendously help their propaganda efforts. Europe must unify itself.

I thank the Senator for yielding to me.

Mr. LUCAS. Mr. President, if the Senator from Arkansas will further yield to me, let me say that the Senator from Massachusetts has spoken of this suggestion as a peg on which the Russians can hang their propaganda hat. But I submit they can take the language of this bill and can do the very thing the Senator has spoken of, even without inclusion of the amendment which has been offered by the Senator from Arkansas, because the language of the bill in question, which is now being considered by the Senate, practically does what the Senator from Arkansas wishes to have the bill do. It expresses the hope that certain things will be done. All that the Senator from Arkansas does by his amendment is to add a further declaration of policy.

So if the Russians want to use the language for propaganda purposes, they can find plenty of excuse for it in the bill as it now stands. As a matter of fact, they will not need to find anything in the bill for propaganda purposes, because they can manufacture propaganda much faster than we are manufacturing the Marshall plan.

Mr. FULBRIGHT. I think, when it is considered that the Russians have now by force put together under their own domination nine of the eastern European countries, that for them then to come along and say "You are trying to promote a federation in western Europe for your own purposes" does not present a very powerfully antagonistic piece of propaganda. But I do not believe that we should adjust all our expressions and actions in accordance with what we may think the Russians will say about it. I think the period for that is long past. I think we did too much of that. I want to get along and place in the Record a few other points.

I referred a moment ago to a further statement by Mr. Dulles. Unfortunately I used the page numbering of the transcript, citing page number 1205. I do not have the page in the regular volume, but I shall quote, from the transcript. Continuing, Mr. Dulles said:

This plan is not going to work unless it is a creative plan. It has to do something. * * * And if I have a criticism of this program that has been submitted to you—

I should like the Senator from Illinois to listen to this further statement by Mr. Dulles, because there seemed to be some confusion about what he had in

mind. This is a quotation from the last statement by Mr. Dulles. It reads:

And if I have a criticism of this program that has been submitted to you, it does not put enough emphasis upon the fact that this is a program which is designed to create something.

What did he have in mind when he kept using that language? He continued:

What is it that you are going to create? Well, I think the act of Congress itself ought in general to outline, to give a picture of what it is you are shooting at. If you are not able to do it and don't do it, I am afraid the thing will bog down along the line. This is the place to press this plan with a creative spirit, to draw a picture of the kind of a world we are trying to create by this. Do it temperately, realistically, in broad outline, but at least impress upon the plan a creative character and make the people who are administering the plan, who are receiving your goods, realize that they are a part of a great creative enterprise, and that aspect of the thing to my mind is not sufficiently impressed upon the plan as it comes to you from the State Department.

No, I do not think there can be any doubt about what Mr. Dulles had in mind. It was not simply and solely to send money to Europe, in order for them to reconstruct the same old order that has been there all the time. That simply cannot be read into it. I do not think there is any doubt about Mr. Dulles' views.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. LUCAS. The language that Mr. Dulles uses there is something above and beyond the Marshall plan that the committee were considering. In other words, he is not talking about the Marshall plan alone. That is one thing. In addition, he asks for something more, something that may be created out of the Marshall plan that will give us a base for permanent peace and security and stability in western Europe.

Mr. FULBRIGHT. I feel the same way. He seems to be referring to a goal toward which to work. I had a feeling when I read those statements, as the Senator did, that it was almost in line with what we are trying to do now. I do not think we can ignore what such men as Mr. Dulles say about those matters. I realize that after the Committee on Foreign Relations takes a position, all members are more or less obliged to follow it, but I still think this is not a matter which can be lightly brushed aside when men of the stature of Mr. Dulles have said as much as they have.

There is a great deal more in Mr. Dulles' testimony that I shall not take the time of the Senate to read, simply because I think we have made the point. I am sure that Senators who are interested will read his testimony in full. He is a man who is eminently competent and experienced in this field.

I do not wish to leave the impression that these gentlemen are the only men of wisdom and experience who have advocated political unification of Europe. As I said a moment ago, the idea is centuries old. One of the first suggestions of the kind in modern times, that is, since medieval times, was what is called

the grand design of Henry IV of France in the Sixteenth Century. I may say that I recently placed in the RECORD, a very thorough examination of the history of the whole idea of unification in Europe. If anyone believes it to be an American idea or that it is something new, he can inform himself from that article. It appears in the RECORD of January 21, 1948.

Mr. LUCAS. Mr. President, will the Senator yield further?

Mr. FULBRIGHT. I yield.

Mr. LUCAS. May I ask the Senator whether he proposes to place in the RECORD the statements which have been made by the leading statesmen of the various countries since the Marshall plan was suggested last June?

Mr. FULBRIGHT. The article I want to read now bears on that. It is a clipping dated March 2. It is entitled, "Attlee reveals talks will open Thursday on west Europe union." That is Thursday of this week, or tomorrow. I was intending to read this for the information of the Senate. It is an Associated Press article under the date line of London, March 2, reading as follows:

ATTLEE REVEALS TALKS WILL OPEN THURSDAY ON WEST EUROPE UNION

LONDON, March 2.—Spurred by developments in Finland and Czechoslovakia, conversations will be opened by Britain, France, and the Low Countries in Brussels Thursday on formation of a "western union" in Europe.

Prime Minister Attlee, in a surprise announcement to the House of Commons last night, said the discussions will cover all aspects of such a union—economic, social, political, and defense problems.

"There is this dangerous and chaotic state of affairs in Europe and there is fear in Europe—widespread fear—and that is due mainly to a spread of dictatorships being intensified by events of the last few days," the Prime Minister declared.

MEANS OF COMBATING REDS

His announcement, which came only a few hours after a foreign office spokesman said it would be a matter of weeks before anything concrete would be done to implement Foreign Secretary Bevin's union proposal of January 22, apparently reflected a new feeling of urgency in London.

The feeling seemed to be sparked by a desire both for speeding economic recovery under the Marshall plan and for political unity in western Europe, especially in the light of the Communist victory in Czechoslovakia and the pressure on Finland.

Mr. Bevin's proposal called for a close economic, political, and military alliance of Britain, France, and the Benelux countries—Belgium, the Netherlands, and Luxembourg—to form the nucleus for a larger, later grouping of western European nations. He termed it a means of combating ruthless efforts by Russia to dominate the Continent.

WILL PRECEDE PARIS TALKS

The Brussels talks presumably would be concluded before a meeting in Paris in mid-March of the 16 Marshall plan countries.

There were reports in United States circles here that American policy makers were making a new study of Marshall plan details, with the idea of boosting dollar help to countries where communism is strongest. Informants said the plan itself might be revised to give it a stronger anti-Communist tinge.

Mr. Attlee's announcement of the Brussels conference was made during debate on a defense white paper which proposed reducing Britain's armed forces to 716,000 members in all services by March 31, 1949—a cut of 224,000. The House approved it.

Mr. VANDENBERG. Mr. President, before the Senator leaves that subject, will he yield?

Mr. FULBRIGHT. I yield, certainly.

Mr. VANDENBERG. I suggest to the Senator there is a vast difference between a mutual discussion among the European nations respecting their military or political union and the situation that is confronted when we are proposing such a thing to them. I say to my distinguished friend very frankly that, deeply sympathetic as I am with his theme, and believing as he does that the alternate European necessities run in these directions, I am forced to say to him that the facts justify me in asserting, I believe, that it would be a source of maximum embarrassment to at least a few of the more exposed European countries, if there were anything in the bill which partakes of a political or military character. If these things evolve as a result of the economic contacts that are being created, that is another question; that is another prospect, and it is one of the happy prospects that it will evolve. But I say to my good friend from Arkansas that I think it would seriously jeopardize the possibility of the continuing cooperation of certain of the more exposed nations in CEEC if this legislation were in its text to depart from an economic character and textually move over into a military or a political atmosphere.

I think we have to leave that evolution to the initiative of those who are themselves involved in the ultimate coordination.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I will yield in a moment.

Mr. VANDENBERG. I am sorry to have to be so frank about it, but I think the Senator understands what I have in mind.

Mr. FULBRIGHT. Yes. I hope the Senator from Michigan will not think me presumptuous in expressing these views.

Mr. VANDENBERG. Certainly not.

Mr. FULBRIGHT. I cannot help recalling in the case of the so-called Marshall plan that the initiation of this legislation was not European. It started from what may have seemed at the time to be a rather insignificant speech. Yet out of it came what we thought was the first glimmer of hope in a most difficult situation. The aspect of it to which the Senator from Illinois [Mr. LUCAS] pointed precisely a moment ago has a very strong appeal to me as to the major countries. I recognize that we might lose the cooperation of Sweden or Norway.

Mr. VANDENBERG. I identified no country.

Mr. FULBRIGHT. I know the Senator did not. I identified them when the Senator was not here. We were speaking of those states which might not be able, because of their situation, to participate in any political union. But I think the aspect which the Senator from Illinois emphasized is largely the political judgment that one may have regarding the effect of such a statement. It is simply unfortunate. I have the feeling that this is nothing but an economic program which leads nowhere. I cannot

help but feel that way. The Senator will recall that I voted for every major bill involving foreign aid which has been introduced. Looking back on them, beginning with the establishment of the United Nations, we were so anxious to get complete unanimity that we did not get much of anything, judging by the way in which it has worked out. I do not blame the Senator from Michigan, but I am only anxious that this measure should really mean something. That is the only motive I have for trying to express the hope that it will result in something substantial.

Mr. VANDENBERG. I understand the Senator's motive. It is laudable and worthy, and I know of his long-time fidelity to this objective. I am simply suggesting to him in very practical terms that by putting textually in the bill the language he proposes, and giving it a political trade-mark, he will not accomplish his purpose. As a result he will merely postpone the possibility of creating that purpose by evolution out of an original economic union, because that is where it will have to start.

So long as the record is as clear as it is—and the Senator is making it clear, as the committee report makes it clear—it is practically the universal opinion that the consolidation of the western European countries along the line of which the Senator is speaking is the pattern of realistic hope. So long as that is perfectly clear in the committee report and in the implications of the bill itself, I beg the Senator not to press for that final, specific, textual identification which, in my humble judgment, will do more harm than good and will, if anything, retard the objective to which the Senator addresses his thoroughly noble hopes.

Mr. FULBRIGHT. As I said, it is of course embarrassing to me to differ with the chairman of the committee. I have the greatest respect and admiration for the chairman of the committee and for the great work he has done, but, unfortunately, I cannot believe that an economic arrangement such as he envisions through this legislation will lead to a political union. I cannot recall in history that such an arrangement has ever led to that.

Mr. VANDENBERG. Does the Senator think it would lead to a political union by reading these words into the provision?

Mr. FULBRIGHT. I think it would encourage the creative act of unification. I find it very difficult to persuade myself, after our experience with the British loan, Bretton Woods, UNRRA, and so forth, which I supported, to have much hope regarding these programs. I am trying to generate some hope or feeling that this measure might amount to something. I confess I do not have the enthusiasm for this action that I have had for some of our past actions, because of the disillusionment which we have experienced.

Mr. VANDENBERG. I can understand the Senator's lack of enthusiasm. I have no enthusiasm when I see my neighbor's house on fire and undertake to help him put out the blaze. It is not

a matter of enthusiasm. It is a matter of putting out the blaze.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. FULBRIGHT. I yield.

Mr. LUCAS. I should like to ask the able Senator from Michigan a question. As I understood him, in his reply to the Senator from Arkansas he was sure that certain exposed nations would find themselves extremely embarrassed if the language referred to were included in the bill. Am I correct in my conclusion from that statement that those exposed nations would not be embarrassed, from the standpoint of forming a political union, but would be embarrassed in connection with following through with the Marshall plan, or both?

Mr. VANDENBERG. I doubt whether I am in position to spell this out for the Senator, but what I am trying to say is that some of the more exposed nations which are exhibiting, in my judgment, a high degree of heroism in even being willing to discuss the European economic program, in view of their hazards and exposure, would, I think, find themselves under infinitely greater pressure if there were anything which textually links this program with a political or a moral objective. I very much doubt whether they could defend their relationship to it on anything except an economic basis, so long as we are writing the legislation. If they themselves wish, upon their own initiative, to move from economics to politics and to military defense, that is quite a different thing.

Mr. LUCAS. The Senator feels, I am sure, from his last statement, that the proposed language would weaken the position of these exposed nations, both with respect to the Marshall plan and with respect to a political union.

Mr. VANDENBERG. I think it would not only weaken it, but I think it might make it exceedingly difficult for some of them to continue in the economic plan.

Mr. LUCAS. That is the big question, and the one I hoped the Senator might answer. I feel very strong about the language in the amendment offered by the able Senator from Arkansas. I have been devoted to the idea for a long, long time, but if I thought for a moment that the language which is offered in the amendment of the able Senator from Arkansas would create a situation in which one of these exposed nations would be forced, through fear or some other reason, to withdraw from the Marshall plan, I certainly would hesitate to support it. The Senator from Michigan presents a new and rather persuasive argument. I was thinking solely from the angle of a union of European states, and not so much about any danger that such a declaration might raise against the Marshall plan.

Mr. VANDENBERG. I wish to make it quite plain that I share all these hopes for European unification. I see little long-range hope except as there can be a consolidation which is substantially more than economic.

In respect to the particular proposal before us, while I do not wish to be understood as saying that the addition

of one or two words is going to make it categorically impossible for some nation to come in, I say if we allow a political or military trade mark to be put upon a contract which was written as an economic contract, we create totally different circumstances abroad, and create an aspect which will have to be completely reviewed by the 16 countries involved before we can be sure that they will maintain the same position in respect to political and military commitments as they do with respect to economic commitments.

Let us consider the situation presented by the able Senator from Minnesota this morning in respect to the necessity for cooperative security. I think we would all have to agree that collective security is of the greatest importance to these 16 nations. So, in the first instance, I do not see how anyone would deny that political cooperation is of maximum importance to these nations. But, Mr. President, this happens to be a different kind of a contract. It is written exclusively as an economic contract, for the deliberate purpose of protecting it against the attacks which can be made upon it if it does possess political and military factors. If it is allowed to develop upon an economic basis, the natural evolution of cooperation is the surest chance that my able friend from Arkansas has for the achievement of his dream, in my humble opinion.

Mr. BARKLEY. Mr. President, will the Senator from Arkansas yield?

Mr. FULBRIGHT. I yield to the Senator from Kentucky.

Mr. BARKLEY. I ask the Senator to yield in order that I may ask the Senator from Michigan a question.

We all know the degree of distortion and misrepresentation that is being peddled all over Europe from the outside to those who are on the inside of these 16 nations, against this program. To what extent, if at all, does the Senator from Michigan think that the insertion of the proposed language, involving a political consideration, would form a new basis for attack and distortion and misrepresentation as to our motives ultimately, if the language should be put into the bill?

Mr. VANDENBERG. Of course, anything which serves to justify attacks of the character to which the Senator from Kentucky refers, anything of that nature, adds a certain degree of apparent validity to that which is now sheer libel and slander. I think it is important to us, as well as to those with whom we are cooperating, that we should keep libel and slander in that classification, without lending any justification to it whatsoever.

Mr. BARKLEY. That is the very point I had in mind, and if I may make another observation, we are proceeding in the bill, and we have proceeded from the beginning, at least after the European conference, on the basis of an assurance given to us by 16 nations, acting together, that they were willing to cooperate in an economic field with us in order to bring about the results we hope for. But there is nothing in their proceedings, in their deliberations, in their con-

ferences, or in the multilateral agreement which they signed in Paris, which hints at political unification of those countries. That is not what they were meeting for.

When I was in Europe last year we undertook to explore that field among all the governments with whom we talked. We found immediately, of course, what appeared to be insuperable difficulties in the way, although the representatives of the nations did express the hope that ultimately the goal might be reached. But in the conferences and in the resulting agreement, and in the bilateral agreements we will enter into which each of these countries, the political equation is not outstanding, it is not in language which anybody can identify, although we know that economic stabilization will have an effect upon political stability, though not necessarily upon political unification.

I thank the Senator from Arkansas for yielding.

Mr. McCLELLAN. Mr. President, will my colleague yield?

Mr. FULBRIGHT. I am glad to yield to my colleague.

Mr. McCLELLAN. I should like to know upon what we can possibly base a hope of success if what in the text is an economic contract to aid recovery in Europe, when we consider the danger which we know threatens European economy, and the war which has already been declared upon the program by the real threat to world peace. I want to know how we can be optimistic and hope that such a contract, standing alone, not supported and not fortified by the power and strength of this Nation, and of all the nations which have received benefits from it, will be carried out, and how we can hope to protect the proposed investment after it is made.

I think we should face the realities of the situation. I do not care what anyone else thinks, if American taxpayers are to be called on to make this investment they should know now, when they make it, that it is in danger of being sabotaged, and if we are unwilling to protect it after it is made, and are going to be timid about it as we make it, and not let the world know that we mean to protect it, then I think we had better hesitate a long time. I cannot share the optimism which some have that it will evolve into a unity. One nation after another can be clipped off, just as Czechoslovakia was a few days ago, and they will be, with the war that has been declared upon this program, if coercion and threat and intimidation can accomplish it.

We ought to know what we are doing when we vote this money and when we undertake this program, and we ought to say what we are going to do in the case of such eventualities as those I have mentioned.

Mr. President, I want to see this program succeed. I share the feeling of disappointment my colleague has expressed in the results which have been achieved in the past. I say that the crisis in the world today is such that American taxpayers should not be called upon for \$17,000,000,000 to be invested in any timid sort of way. We ought to

do it with the courage and with the moral power and strength of this Nation, or we should not do it at all.

Mr. VANDENBERG. Mr. President, will the Senator from Arkansas yield?

Mr. FULBRIGHT. I thank my colleague, the senior Senator from Arkansas, for his contribution. I yield to the Senator from Michigan.

Mr. VANDENBERG. I wish to comment first on the final statement of my able friend, the senior Senator from Arkansas [Mr. McCLELLAN]. We are not being asked to commit ourselves to \$17,000,000,000. That estimate, or any other, was deliberately removed from the bill because the Senate Committee on Foreign Relations frankly recognized the impossibility of even an educated guess that was worth the paper it was written on respecting day after tomorrow. We are asked only to commit ourselves specifically to next January, as a matter of fact, when the whole subject matter, according to the committee's theory and the theory of the bill, will pass again in congressional review. At that time, if the results are not justifying the prospectus, the program can stop. The continuity of our aid, according to the specific terms of the bill, is dependent on the continuity of self-help and the continuity of efficient evolution of the plan abroad. Therefore, we are not confronting an obligation of quite the character and magnitude, at least in dollars, that the able Senator from Arkansas indicated, except that if the plan does succeed from year to year, of course, we shall be very happy to carry on with it to whatever ultimate total may be involved. But to say that to the Senator simply begs the question, because he is fundamentally correct that there are no assurances or guarantees of any nature whatsoever that go with this enterprise. All in the world we can do is to contemplate the fact that this situation is laden with dynamite up and down the area in question, and that what happens day after tomorrow is beyond the ken of any man to contemplate today. The best we can do is to take advantage of peaceful means of attempting to restore western Europe so long as there is even a reasonable chance that peaceful means will achieve the result.

I say to the Senator that I think there is some basis for discriminating between the types of hazards which have been confronted by these satellite states which one by one have been encompassed within the Russian orbit. I think there is some basis for discrimination between that situation and one which would involve the use of an army and armed attack in the further expansion of conquest.

I call the Senator's attention to the fact that all the expansion up to date has been by internal infiltration. There has never been an overt act of war. It is entirely generated by subversion and infiltration. Therefore, that is the objective to which we must for the time being turn our attention by way of attempt to defeat it. And I suggest to the Senator, therefore, that in the remain-

ing countries in western Europe which have demonstrated, perhaps partially as the result of our own interim-aid legislation, that they have an internal capacity of their own to stand up against infiltration and subversion and to defeat it and to maintain successfully their own independent right of self-determination, there is a hope that a reasonable degree of economic survival will so bulwark this inherent love of liberty which is characteristic of these countries that perhaps they can continue to succeed to stand up against subversion and infiltration. If they do, then the only danger of war which the world confronts is from an overt act.

There have been no overt acts, Mr. President. I very much doubt whether there will be except by accident, except by misfortune. I very much doubt whether there will be if we can succeed in renewing the stability of these great areas in western Europe which represent our type of civilization, from whence flows most of our civilization, and where there appears to be an inherent, grim, heroic purpose to survive.

Mr. FULBRIGHT. Mr. President, I should like to make two comments. The first deals with the remark made by the Senator from Michigan that inclusion in the bill of the proposed language might increase the pressure upon the exposed countries. I would gather from that remark, that he believes the Russians would interpret the Marshall plan as being of little significance, at least not of much significance, if the language were left out, and that therefore there would be no need to increase the pressure. I cannot quite understand why the Russians would increase the pressure unless they thought the plan would be effective if the proposed language were placed in the bill. If the language points definitely to anything it is that it would really give reason to believe that the undertaking is going to result in a unified western Europe. The great thing the Russians do not want, of course, is a united western Europe. I confess that the remarks by the Senator from Michigan that the addition of the proposed language would increase the pressure on the small countries at least fortifies me in the belief that the Russians would recognize that such language might lead to the successful creation of an independent and unified western Europe.

The other comment I desire to make is with respect to the point made by the Senator from Kentucky that there was nothing in the CEEC report of September which in any way went beyond pure, plain, bare economics. I simply do not agree with that statement. I do not read the report in that way. I do not have the report before me, but in my remarks on the European federation, which appear in the CONGRESSIONAL RECORD of January 21, 1948, I included a few excerpts from the CEEC report, which are to be found on page 409 of the CONGRESSIONAL RECORD. I need not read the report. The excerpts I placed in the RECORD describe the coordination and the development of hydroelectric projects, without regard to national boundaries—

something quite beyond economic cooperation. It also mentioned the objective of removing the obstacles to the free movement of persons about Europe. Moreover, the report used the words "development in partnership of the resources of steel and coal." The point I make, Mr. President, is that I think the European nations in September did have in mind more than a bare economic program.

Another thing which disturbs me about the reasoning of the chairman of the committee is that there seems to be the assumption that if these nations can be put back on their feet we will then have a strong bulwark in Europe or, I will say, a self-sufficient Europe. If we go back before the first World War and look at Europe we find that it was a very prosperous Europe. I recall that France, for example, had as great or perhaps a greater per capita income in 1910 than the United States did. France having fewer people, and being highly developed industrially. Be that as it may, Europe was a very prosperous part of the world. Yet out of that area conflicts arose among the independent sovereignties of Europe, and we have had two world wars.

It has been said that the program in contemplation will be a long one. I am trying to look to the future. Even though we restore the countries of Europe to full economic prosperity we shall not have accomplished much. We will have reinstituted a condition which has led us into two wars already within 25 years. The only goal worthy of the proposed effort of the United States provided for in this measure is to do something substantial to cut out frictions which lead to war. It seems to me that is the way the problem should be approached.

I must proceed with the statement I was making. I want to call attention to the statement of a man whom many of us feel, due to his experience and demonstrated wisdom in many cases in the past should be heard with respect. Mr. Sumner Welles made a statement, published in the Washington Post of February 28, 1948, from which I will quote but one paragraph:

I believe that the only permanent solution for the European problem is to be found in a united states of Europe. I do not believe that a united states of Europe can exist if we once more permit Germany to become a politically unified nation under a highly centralized government.

This statement suggests the question which I am coming to in a moment, about the disposition of Germany.

At this point I wish to insert in the RECORD, because of its reference to the recent statements of some of the leading men, such as Auriol of France, Bevin, Eden, Bidault, and others, an editorial entitled "The Great Design," from the St. Louis Post Dispatch of February 24. It contains some of the statements which I have already used.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE GREAT DESIGN

Through the thick fog of words that surrounds the subject of aid to Europe, Presi-

dent Auriol of France has spoken with a voice of courage and realism.

"Europe," he says, "must unite herself if she wishes to recover and live, and if she does not want American assistance to be a gesture without future or a humiliating charity. * * * They (the free nations of Europe) will have to surrender some of their sovereign rights if they are going to make the organization a success."

A great many other statesmen—Marshall, Bevin, Eden, Bidault, de Gasperi—have spoken out in recent weeks for a "union of western Europe" or a "federation of western Europe." Too often their declarations have been vague and meaningless.

Last month, Foreign Secretary Bevin called for a "union of western Europe" to halt "the ruthless drive by Russia to control the Continent." But he did not mean, he added, a "political union." Nor did he propose even a general customs union.

Now a united Europe is, as it was called in the Middle Ages, the "Great Design." Perhaps it has to be achieved, not all at once, but by stages.

But a customs union or a military alliance, or both, is scarcely enough even for a good start. As President Auriol suggests, unless the participating nations pool some of their sovereignty and thus assure continuity and authority, a customs union or alliance will fall apart.

The abolition of tariffs by means of a mere customs union will hardly withstand the squawks that are bound to come from vested interests of capital and labor unions in the nations involved. That was demonstrated in the fate of the customs union of the Oslo group—Scandinavia and the Low Countries—in the period between the two world wars.

A military alliance also is a poor dependence. Czechoslovakia and Austria had alliances with the western European nations in 1938 and 1939, but what did it avail them against the ruthless determination of the Nazis?

Mr. Bevin declares: "We are entitled to organize kindred souls in the west just as they have organized kindred souls in the east."

Precisely. But does Mr. Bevin think that the Soviet organization of Europe east of the Stettin-Trieste line is a flimsy agreement from which the members can secede at any time? Russia has obtained firmness and permanence by political aggression backed by Soviet arms. Western Europe should obtain a permanent organization by a voluntary pooling of the required authority.

Given such a union, western Europe should, with Marshall-plan aid, be able to achieve military security, stability, and prosperity.

The 16 Marshall-plan nations comprise a population approximately twice as great as that of the United States. They are people of great energy, possessing a vast assortment of trades and technical skills, and their nations are collectively rich in agricultural and mineral resources.

What they lack at home, they have access to in their colonies and commonwealths across the sea. In its book, *World Minerals and World Peace*, the Brookings Institution shows that the European nations—Britain, France, and Holland in particular—are far from underprivileged as compared with the United States when foreign possessions are counted.

If these countries could join together to pool their resources and their markets, they would have the opportunity to achieve cheap mass production and a high standard of living, such as prevails in the United States. What they need is the assurance of political stability, military security, and a sound currency to protect enterprisers and investors.

President Truman's Committee on Foreign Aid estimates that foreigners, mostly western Europeans, have sequestered in the United States \$16,000,000,000 or \$17,000,000,000 in United States currency or gold. This is al-

most equal to the total of aid contemplated under the Marshall plan.

A stable union of western Europe—specifically, a United States of western Europe—should offer the conditions necessary for repatriation of much of this capital. Indeed, whatever organization of Europe is brought about, the United States should take steps to see that as much as possible of this fugitive capital is returned home. Americans should not be asked to contribute their multiple billions unless Europe does its utmost to help itself.

This utmost in self-help ought to include a firm, permanent union of the nations of free Europe. World War II has not brought about the one world of peace and amity for which some had hoped. It has not brought about an international organization capable of enforcing world peace. Nor is it likely to do so, because of deep differences in political principles of Russia and the western world.

The one remaining hope of lasting gain from the blood and treasure expended in the war is the welding of western Europe into united power so strong that the United States shall not again be called upon to rescue the Continent from a war born of its disunited helplessness.

Mr. FULBRIGHT. Mr. President, the concept of a United States of Europe is not just a trick or political expedient to meet the present emergency. The unification of these European states is a condition absolutely essential to the future maintenance of peace and stability in that region. As I have pointed out, this was true long before the rise of communism in Russia. The difference between now and the era before the First World War is that now nearly everyone recognizes the need for unification. The world has suffered two world wars which originated among the clashing interests of the nation states of Europe. Surely it is not necessary to have a third in order to recognize what is wrong with Europe.

It would be encouraging, to say the least, to have the United States Government take a long-term view of this international situation. It is notorious that, generally speaking, we respond to the compelling necessity of the moment, both with respect to getting into war—as in both of the last wars—and with respect to planning for the peace. Rarely have we bothered to look far ahead and plan for the future. The reason for this is, I presume, our traditional reluctance to assume responsibilities or obligations in the foreign field. We are forever hoping in the back of our minds that we shall be done with all this troublesome business. It should be clear, however, that this time we shall not be done with the Communists unless and until a strong and free united Europe is created.

As Mr. Dulles says, the time is now ripe for a creative change. The history of peoples will show that rarely are changes in social or political relationships brought about simply because they are wise and sensible. As in our own case, so it has been in many others, that great steps forward have been the result of dire necessity, not calm and rational consideration. These changes usually come about in an era of revolutionary upheavals such as we now are in. I hope that we will not let this opportunity pass without some effort to bring about what wise men for centuries have advocated.

Mr. President, in addition to the general considerations affecting Europeans,

there are other more specific reasons why this Congress should express its approval of the political unification of Europe. The United States has already assumed very heavy obligations respecting the support and government of a part of Germany. I am unable to see how we are going to find a real solution of the German problem, except within the framework of a federation of European states. On the one hand, if German production is held down in accord with the discredited level-of-industry policy—which I hope is being abandoned—we shall be called upon to pay the costs to the tune of hundreds of millions of dollars annually. I need not tell Senators how distasteful this is to our taxpayers. On the other hand, if we permit Germany to recreate her prewar industries so that she can be self-supporting, and remain an independent sovereign nation, she will inevitably menace the security of her neighbors. In fact, her neighbors have already registered their objection to the revival of a strong independent Germany. The only way out of this dilemma that I can see is to merge the German states into a federation of European states. As a part of such a federation the German people could safely be permitted to produce and to build again a prosperous life without danger of aggression against their neighbors. The production of these people is essential to the prosperity of all of Europe.

I think that aspect of the question also in some degree meets the objection that we are intermeddling and interfering in other people's business. After all, in a very real sense, we can be considered a sovereign nation in Europe, when we think of the responsibilities we have for the government and support of our zone in Germany. How are we going to get loose from that obligation if we continue to pay their bills and support them? So long as we support them—not in comfort, but at least to the extent of keeping them alive—there is not much progress made toward relieving us of that burden. In a sense we have as much right, from that point of view, as any of the countries involved, to propose that a reasonable and sensible organization be created to enable all those countries to stand on their own feet.

Mr. President, I suspect that one objection to this amendment being added to this bill is the feeling that advocating a federation of Europe is officious intermeddling by Americans. At the same time, however, we are told that we have a responsibility to use our power and our wealth to rehabilitate stricken Europe. These views are inconsistent. If we have this obligation, then we are also obliged to see that the rehabilitation is effective. We have no obligation to do a futile thing simply as a gesture of sympathy. We have no obligation to recreate or to sustain a condition in Europe from which have been generated two world wars.

We have a legitimate interest in the purposes for which the products of our land and the work of our people are to be expended. We have, I believe, consideration for the pride and self-respect of the Europeans, but as partners in

undertaking to preserve in the world an opportunity for men to be free, we are entitled, if not obliged, to use our best judgment and all our powers of persuasion in behalf of that judgment.

I do not propose that we force our ideas upon any country, but I do propose that, insofar as we are able, we persuade the Europeans to follow the path to political unity. The concept of European federation is essentially European, not American, so I am not suggesting the imposition of an alien idea. The fact that we have enjoyed the fruits of the idea to a greater extent than any other people should not silence us regarding its merits.

Mr. President, the amendment which I offer is not intended to require unification as a condition precedent to the granting of aid. As a part of the declaration of policy, it simply expresses our hope that the participating countries will move toward unification. I do not think that all the CEEC countries could contemplate immediate steps. Probably Norway and Sweden could not. It simply expresses our approval of such unification to the same extent as did the resolution which was referred to earlier in the debate. I may add that that resolution received practically universal approval by the press of the country—at least of all those who interest themselves in such matters.

Mr. President, when we observe the relentless expansion of the Communists by their technique of infiltration and force, it is difficult to believe that any of the small nations remaining free in Europe can withstand such pressure. Even if they become prosperous individually none of them standing alone will be able to match the ruthless power of the Soviets. Their only hope for freedom from Communist domination lies either in their own collective strength or in the willingness and ability of this country to protect them. I doubt that this country will forever be willing to stand ready to protect them, so that the course of wisdom is for them to prepare to protect themselves. Together they have a population of 250,000,000 with vast, undeveloped resources in Africa and Asia. Together they can match the power of Russia. But individually not one of them could stand a month against a determined move by the Communists.

There is great danger to us in supplying the sinews of industry and transport to a community inherently so weak. The consideration in this whole undertaking that causes me the greatest concern is the possibility that soon after we have reequipped the factories, mines, and railroads of these 16 nations the Russians will move in and use these resources against us.

If these 16 countries were unified and could concentrate their power, I doubt that the Russians would attempt to conquer them or could do so if they tried. Standing alone, their conquest, one by one would be no more difficult than was the rape of Czechoslovakia.

Mr. President, I submit that if as a result of this plan, Europe is economically rehabilitated without political union, the urgency to achieve union will soon disappear, nationalism will revive, and the

stage for future frictions and war will be set. In other words, by helping them first, without accepting union as a goal and an objective, we do not necessarily further union at all.

I think that particular aspect of the consequences of the Marshall plan is perhaps the most dangerous one. It reminds me somewhat of the great outcry which was made as a result of our sending scrap iron to Japan. In other words, assume that we extend this aid for 1 year. Assume that in connection with that aid the European people will do everything we can expect them to do, and so we send the aid to them for two more years; that they thereby vastly increase their industrial power. Nevertheless if those countries remain independent, as they are today, I am unable to see how they would be able to resist the force and oppression of the Russians, if the Russians determined to apply it.

Personally, Mr. President, I am reluctant to take the responsibility of sending billions of dollars' worth of our goods, our finest machines, and our best equipment to people who, although they have no intention of voluntarily becoming subject to the Kremlin, yet individually, lack the power to maintain their independence of the Kremlin.

Further, I believe that the principal political leaders of the countries would welcome a federation; but few of them, if any, are in a position to assume the leadership in the movement. As Mr. Dulles so aptly put it, I think all of them would welcome a little push from us. This view is fortified by the experience last summer, when as a result of Secretary Marshall's speech at Harvard, the 16 nations with unprecedented enthusiasm gathered together and unanimously agreed upon the CEEC report. No one of them was able to initiate the movement alone; but as the result of the little push from Marshall, they were galvanized into action.

In conclusion, Mr. President, let me say that I did hope that the distinguished chairman of the Foreign Relations Committee, for whom I have the greatest respect and admiration, would accept this amendment. In his own magnificent address on March 1, I noticed that he had this to say regarding the CEEC report of September last:

It was a historic moment. Some day the United States of Europe may look back upon it as we do the Annapolis Conference which preceded the Constitutional Convention at Philadelphia.

It seems to me that this simple amendment will assist in bringing to fruition an objective which all the civilized world strongly desires, a strong, united, and free Europe.

Mr. LODGE. Mr. President, let me say to the Senator from Arkansas that I would be profoundly disappointed if at the expiration of the Marshall plan the most we had done was to bring Europe back to the economic level of 1938. If the most that we could achieve would be simply to reconstruct the European crazy quilt, simply to rebuild the watertight compartments of Europe, which cannot support life, but which have created death twice within our lifetime, I would be tremendously depressed.

I have believed from the very beginning that if the Marshall plan is to rise to the expectations which all of us have for it, it must be keyed to an idea, and that idea must be what the Senator from Arkansas wants, namely, the political unification of Europe, or what Mr. Bevin, the Foreign Minister of Great Britain, calls the consolidation of Europe. All of us know what is meant by those words.

The difference between my position and that of the Senator from Arkansas is that I think the language of this bill goes as far as we can go in the bill, whereas the Senator from Arkansas thinks the language of the bill is not sufficient, and that we should go further. I believe that if we include his language, it will tend to defeat our purpose; but I heartily agree with him that the purpose which he so eloquently describes is the one toward which the Marshall plan should move.

Mr. FULBRIGHT. Mr. President, I appreciate very much the attitude of the Senator from Massachusetts. As a matter of fact, I was present last month when Mr. Dulles was before the committee, and I got the impression at that time, as well as later, that the Senator from Massachusetts was in favor of this objective. I realize it is very difficult to put it into words, and I realize that as a practical matter the goal is difficult to achieve.

However, I think it is true, not only in this country but in other countries, that economic customs unions do not have a tendency to achieve political unity. Therefore, I think we must take the bull by the horns. Certainly if the founding fathers had been very careful about their terms of reference at Philadelphia, we would never have had the Constitution. Someone must do what is almost ultra vires, or at least what is a bold and daring act. Significant movements simply do not generate themselves.

Mr. President, the Senator from Illinois [Mr. Lucas] put his finger on an exceedingly important consideration which I wish to have the Senator from Massachusetts consider. I refer to the position of the European leaders. Just consider how difficult it is for them to speak to their own people about such a plan as this, just as we realize how difficult it is for a Senator to talk to his constituents about the welfare of people in other nations. I know that is the situation. So someone must break the vicious circle that has been revolving in Europe for so many years. The leaders of Europe, all the way back to Henry IV, thought it was necessary to take this step. Our own George Washington thought so. William Penn even wrote a book about it. But no one has been able to accomplish it. Briand called conferences on the question three times after the last war. Nevertheless, no one as yet has been able to do anything concrete about it.

Today we are told that we are the only free nation in a position of leadership, and yet we refuse to act as a leader in this matter. Instead, we would say, "No; that is not our business."

As a result, Mr. President, I am inclined to think that what the Senator

fears actually is going to happen. We have had too much experience with lending large sums of money and then being disappointed in the results.

ENROLLED BILLS PRESENTED

The Secretary of the Senate reported that on today, March 3, 1948, he presented to the President of the United States the following enrolled bills:

S. 535. An act for the relief of Adelbert E. Tuller;

S. 641. An act for the relief of Mrs. Roberta Flake Clayton;

S. 922. An act for the relief of Ruth Grossman;

S. 939. An act for the relief of Charles Howard Richards;

S. 970. An act for the relief of Mr. and Mrs. Harold T. Prosser;

S. 1031. An act for the relief of Antonio Zamora; Mrs. Antonio Zamora; Antonio Zamora, Jr.; Mrs. Juan Chavez; John Chavez, Jr.; Roland Chavez; Selso Trujillo; Dr. M. G. Wright; and the heirs of Keith Lane;

S. 1267. An act for the relief of Eleonore M. Hannon;

S. 1698. An act to define the exterior boundary of the Uintah Ouray Indian Reservation in the State of Utah, and for other purposes;

S. 1716. An act for the relief of Mrs. Iola Veach;

S. 1721. An act conferring jurisdiction upon the United States District Court for the Western District of Washington to hear, determine, and render judgment upon any claim arising out of injuries sustained by G. R. Below, late of Seattle, Wash.; and

S. 1796. An act to provide for the preservation of the frigate *Constellation* and to authorize the disposition of certain replaced parts of such vessel as souvenirs, and for other purposes.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. BREWSTER. Mr. President, I venture to present amendments dealing with the transfer of some of our shipping to foreign countries under the terms of the pending measure.

Mr. BARKLEY. Mr. President, will the Senator permit me to make a parliamentary inquiry at this point?

Mr. BREWSTER. Certainly.

Mr. BARKLEY. I should like to inquire whether an amendment is pending at this time.

The PRESIDING OFFICER. The amendment of the Senator from Arkansas [Mr. FULBRIGHT] is pending.

Mr. BARKLEY. Then I assume that the Senator from Maine is going to present his amendments, to be printed and lie on the table. Is that correct?

Mr. BREWSTER. That is correct.

Mr. President, I venture to present these amendments, and I do so with less temerity than I did in connection with the one in regard to the broader aspects of the discussion, because in this instance the amendments deal with shipping, a subject which has always been the primary concern of the Committee on Interstate and Foreign Commerce.

This particular provision has a rather interesting and somewhat curious history.

I present the amendments on behalf of my colleague, the senior Senator from Maine [Mr. WHITE], who is unable to be present at this time, and myself, as well as certain other Members of the Senate whose names are indicated on the amendments. I ask that the amendments be printed, lie on the table, and be printed in the RECORD at this point.

There being no objection, the amendments intended to be proposed by Mr. BREWSTER (for himself, Mr. WHITE, Mr. BROOKS, Mr. BUTLER, Mr. CAIN, Mr. WHERRY, Mr. ELLENDER, Mr. ECTON, Mr. DWORSHAK, Mr. MAGNUSON, Mr. WATKINS, and Mr. HAWKES) to Senate bill 2202 were ordered to lie on the table, to be printed, and to be printed in the RECORD, as follows:

On page 15, line 24, beginning with the word "merchant", strike out all through "subsection" on page 16, line 1.

On page 16, beginning with line 10, strike out all through line 20.

On page 16, line 21, strike out "(5)" and insert in lieu thereof "(4)."

Mr. BREWSTER. Mr. President, these amendments are very simple. They provide for striking out the provision of the bill which would authorize the charter under foreign flags of 300 ships of American registry.

I should like to address myself to certain of the rather unusual aspects of this matter. I might urge upon the Senator from Michigan that this is a subject which has already been concluded, inasmuch as during the past month the Senate considered the question, first through the appropriate committee and, following the deliberations of the committee on it, in the Senate; and in the Senate at that time there were at least as many Senators present as are now present, and at that time the Senate unanimously adopted this very provision which prohibits the transfer, by sale or charter, of American ships to foreign registry; and I point out that the Senate took that action in the full light of the problem we now face. That measure was also favorably and unanimously considered by the House of Representatives; and on last Friday, I believe, it was signed by the President of the United States and became a law. We now find ourselves considering a provision inserted in the proposed European recovery program nullifying a substantial part of that very recent act, so that I think in the interest of expedition it might properly appear that it should not be reconsidered at this time, particularly as I am sure it will not place serious obstacles in the path of the particular objective we have primarily in view.

The matter of selling or chartering ships to foreign registry has been under consideration for a very considerable time, not only by Members who join with me in this presentation, but by many others interested in the field, including certain of our great labor organizations that are vitally concerned with the American merchant marine, such as the American Federation of Labor, the Congress of Industrial Organizations, the American Federation of Shipping, the

American Legion, the United States Chamber of Commerce, the Mississippi Valley Association, the Women's Patriotic Conference on National Defense, consisting of 60 women's organizations, meeting in Washington on January 15 to 17 of this year, the American Merchant Marine Conference, and the Twenty-first Annual Convention of the Propeller Clubs of the United States, who have all taken very strong action recommending against a course of this character, as calculated to strike a very serious blow at the vitality of the American merchant marine. I ask to have printed at this point in my remarks, a memorandum showing the attitude of various organizations regarding the matter.

The PRESIDING OFFICER. Is there objection?

There being no objection, the memorandum was ordered to be printed in the RECORD, and will appear hereafter.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. BREWSTER. I am happy to yield to the Senator from Texas.

Mr. CONNALLY. May I ask the Senator from Maine if the views of the various organizations to which he has referred were expressed in regard to this bill, or were they on the general question of chartering under other circumstances?

Mr. BREWSTER. They were discussing the general proposition of whether or not we should sell or charter ships to operate under foreign flags.

Mr. CONNALLY. Exactly. So I do not think the Senator's point is well taken, because, generally speaking, the Committee on Interstate and Foreign Commerce might conclude it was wise not to charter or sell the ships, but when a situation arises in which the United States is appropriating billions of dollars in order to send food and equipment to Europe, the food and equipment must reach Europe before it can do any good. If we have the ships, it might be almost completely imperative that we let them be utilized, through charter or in some other way, as a means of transporting the food and equipment to Europe. I do not think the views of those organizations on the permanent policy with regard to the matter are exactly in point, since the organizations did not have in contemplation the emergency character of the legislation which is now before the Senate and the national desire to bring it into being.

Mr. BREWSTER. Does the Senator from Texas mean to intimate that the capacity of a ship to transport tonnage to Europe would be affected by whether or not the American flag or the flag of Greece was flying at the masthead? That is the only point here involved.

Mr. CONNALLY. That is a matter with respect to which I probably am not qualified to speak; at least I am not so well qualified as is the Senator from Maine, who lives near the sea and who hears the undulations of its waves each night as he retires.

Mr. BREWSTER. Maine has a rock-bound coast.

Mr. CONNALLY. Moreover, the Senator from Maine is a member of the

Committee on Interstate and Foreign Commerce, and it is his business to study subjects of this kind. While I support what I deem to be appropriate recommendations of Senators who have considered such matters, I was merely rising to point out that the citation of authorities on the general question is not in point, when it comes to a conflict with the pending measure, which is admittedly of very great national importance.

Mr. BREWSTER. I appreciate the suggestion, and now we shall come to a recommendation from the authorities in the executive department dealing with the problem of our merchant marine and applying themselves directly to the European recovery program. I quote from the report of the Maritime Commission, page 9 of their transmittal to the Congress, as follows:

While in full sympathy with the over-all objectives of the European recovery program—

Therefore, I take it they were considering that matter—

the Commission believes that the sale, charter, loan, or outright grant to participating nations of any United States vessels in addition to the large number already approved for sale to them, would be contrary to the best interests of the American merchant marine.

Without minimizing in any way the omniscience of the State Department, that is responsible for this recommendation, or even questioning the competence of the Committee on Foreign Relations, I think that the recommendation of the Maritime Commission, as a qualified executive agency dealing as they point out here specifically with the problem of the European recovery program, is entitled to consideration, particularly as, under the point which the Senator from Texas made of the 300 ships, I am sure that their capacity to transport cargo to Europe would not be affected in any way by whether they were under the American or a foreign flag. They will be the same ships, carrying the same cargo. The only difference is that in one instance there will be 15,000 American seamen on them, while in the other instance there will be 15,000 foreign seamen on them.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. BREWSTER. I yield.

Mr. SALTONSTALL. The report of the committee on the European recovery program, at page 36, says that the chartering of the ships over a 4½-year period will save the American taxpayer approximately \$240,000,000, based on July 1, 1947, freight rates. Can the Senator explain that, and would he state what he proposes to do about it in the event the ships are not chartered?

Mr. BREWSTER. I am somewhat puzzled by it, since it contemplates a 4-year use of these ships under the American flag. If the Senator from Massachusetts will turn to page 352 of volume 2 of the technical report, table A—the amount of United States flag bulk-carrying dry-cargo ships, including those already chartered, likely to be required over and above the normal provisions of United States shipping serv-

ices—he will find that in the year 1949 it will require 3,000,000 tons. That is next year. That is the precise amount here involved. He will find in the next year it will be reduced to 1,700,000 tons, and in the following year to nothing at all. The program contemplates that the 3,000,000 tons of merchant shipping will not be required beyond the year 1949. So I am sure that those figures must be reduced by at least 50 percent if not 60 or 70 percent. I think it is unfortunate that there was not an opportunity for the Maritime Commission and others to present the other side of the problem to the Committee on Foreign Relations when it was considering the subject in executive session and heard a presentation by a representative of the State Department, who undoubtedly was qualified, was earnestly seeking to present all aspects, and was urging very sincerely that the charter provision should be carried out as well as a sales provision as to 200 ships, which was also included in the original recommendation.

Mr. MCMAHON. Mr. President, will the Senator yield?

Mr. BREWSTER. I yield.

Mr. MCMAHON. Did not the Foreign Relations Committee have any testimony on the subject from either the Maritime Commission or the shipping unions?

Mr. BREWSTER. I cannot say as to that, except that I am sure they had before them a recommendation of the Maritime Commission. The person of whom I am speaking is Ambassador Douglas, who appeared before the committee in executive session. I cannot testify to all the volumes pertaining to the matter, but I know that the CIO and the American Federation of Labor then very strongly opposed it from the beginning as they appeared before the Committee on Interstate and Foreign Commerce, as the Senator from Connecticut will recall, earlier last month.

Mr. MCMAHON. That is true, but I think the Senator will find somewhere in the record of the hearings before the Foreign Relations Committee the testimony of Bruce McNamee representing the American Federation of Shipping. There was another gentleman who appeared, representing the CIO. I think his name was Hodiak, if I am not mistaken. My point is that the Foreign Relations Committee did have before it, prior to reporting the pending bill, the testimony of representatives of both the shipping industry and the unions involved.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. BREWSTER. Yes. I yield to the Senator from Kentucky.

Mr. BARKLEY. Mr. William Green, president of the American Federation of Labor, appeared before the Foreign Relations Committee and recommended and urged that all goods shipped from the United States to the recipient countries be shipped in American vessels employing American sailors. In view of the fact that there is provision and hope for the procurement offshore of large quantities of goods which will be sent to Europe, especially commodities which are in short

supply in the United States, I asked Mr. Green the specific question whether he urged that commodities purchased outside the United States and sent to Europe be sent in American ships, or whether he thought they should be shipped in vessels belonging to the countries receiving the goods. He very frankly stated that he would not expect, ask, or require that offshore goods procured under the program should be sent in American bottoms.

The State Department, in its presentation, represented to the committee that there were approximately 2,000 American ships built during the war and now tied up, not being used at all. They are not being used by the Government, by the Maritime Commission, or by American shipowners. The Department recommended and urged that of these 2,000 ships 500 be made available for this program, 200 to be sold, and 300 to be chartered. When we came to that question in the committee we took note of the fact that the Senate had passed the bill referred to by the Senator from Maine prohibiting the sale or chartering of any ships to any foreign flag after a certain date.

Mr. BREWSTER. March 1, which was last Monday.

Mr. BARKLEY. Yes. There was an argument made in the committee that, inasmuch as the Senate had gone on record in regard to the matter, the committee ought not to fly in the face of that situation by authorizing the chartering of 300 ships and the sale of 200 ships. Of course, there was no knowledge as to what the House would do regarding it.

Mr. BREWSTER. Perhaps the Senator from Kentucky does not realize the House has passed it and the President has signed it.

Mr. BARKLEY. Yes. But when we voted on it in committee the House had not at that time acted. There was no way to foretell what the House would do. But they did act. Since the pending bill has been reported the other bill has been passed and the President has signed it.

This provision would take precedence over that act and would be effective in spite of the fact that the President signed the bill a few days ago. So the question is really whether, of the idle ships which are not being operated and which may not be operated, we are to charter to the recipient countries 300 of them, so that they may be operated to carry to those countries the goods which they buy in this country or elsewhere. That involves a considerable expense to the Treasury of the United States. As a matter of fact, when the committee deleted from the bill the provision for the sale of 200 ships we were asked to increase the authorization for the appropriation for the first year by approximately \$50,000,000 in order to take care of the additional expense of transporting products in those ships to be paid for by the Government of the United States, because they were not to be operated by private shipowners or by the Maritime Commission. No one is now employed on them except to stand by and see that no damage is done to the ships.

Mr. BREWSTER. I should like to ask the Senator from Kentucky this question:

When that sum was asked to take care of this change, were we also told that if the ships were operated under the American flag \$27,000,000 would be paid by the American charterers to the American Government as charter hire under existing law? Was that presented to the committee?

Mr. BARKLEY. I do not recall. The hearings had been concluded and the committee was in executive session. If the figure of \$200,000,000 represented as a saving out of the Treasury by reason of freight rates involved in the chartering of 300 vessels and the sale of 200 vessels is accurate, \$50,000,000 for the first year's operation of the ships would not be far out of line.

Mr. BREWSTER. There were two comments on that, one of which I spoke of to the Senator from Massachusetts [Mr. SALTONSTALL]. The \$240,000,000 contemplated a period of 4 years. As I pointed out, the use of the American ships was not contemplated after 1949 in any event. So that the figures obviously must be in error in that respect. The other item is \$27,000,000 credit that will be paid per annum for charter hire by American operators.

Mr. BARKLEY. I do not know what the figure was as to the charter hire. That was not brought out before the committee. But it is easy to understand that if these ships are not being operated now, as they are not, and are not employing anyone, as they are not, the Government of the United States has to operate them in carrying the products which we are giving or loaning, and it necessarily involves additional expenditure from the Treasury over and above the loans and grants provided for in the bill.

I am, of course, very sympathetic to the suggestion made by Mr. Green that all the goods procured in the United States and sent to the recipient nations should be transported in American bottoms. In that case our shipping interests would receive the freight rate and our sailors would receive the wages involved because of the vessels being operated by private initiative. But from the way the matter was presented to us it involved operation of the ships by the Government of the United States, which would increase the cost of the program for the first year \$50,000,000. As a matter of fact, they asked the committee to increase the authorization from \$5,300,000,000 to \$5,350,000,000 in order to take care of that, but the committee declined to do it, because \$300,000,000 was an even and definite figure, and we did not want to complicate the proposal by adding something to it, even though it may cost that much to ship the goods to the other countries.

I do not care to go into the merits of the matter now, because the amendment was not actually offered, but inasmuch as the Senator has brought the question to the attention of the Senate, I thought it might be well to consider the fact that we did this in spite of the passage through the Senate, and the subsequent passage by the House of Representatives, of the prohibition against the sale or charter, because it

involved expenditures from the Treasury of the United States, in addition to the \$5,300,000,000 carried in the bill. If the amendment shall be actually offered, it may be that we will have more detailed facts which may shed some additional light on the subject.

Mr. BREWSTER. I appreciate very much the statement of the Senator from Kentucky regarding the circumstances. My primary objective was to have the amendments on the table, and I wanted to present certain tables to be printed in the RECORD so that when the proper time came to present the amendments, we might be fully informed.

Mr. BARKLEY. If I may make an additional statement, I was in complete sympathy with Mr. Green, and the other gentlemen who represented American labor, in regard to the shipment in American bottoms of goods procured in the United States. When Mr. Green said very frankly and openly that he would not expect or urge that the requirement be made in regard to goods obtained in other Western Hemisphere countries, it seemed to me that that yoked itself up with the possible chartering of 300 of these ships which might be used by the recipient countries in obtaining outside the United States whatever goods they might get. Although we were paying for the goods, or providing for them, they might be able to have them transported in these ships.

Mr. BREWSTER. Would the Senator favor a provision which would require that shipments of American goods should go in American bottoms?

Mr. BARKLEY. I was sympathetic with that, but we did not put it in the bill, because we thought a situation might arise when it might be impossible to send the goods in American bottoms, because our own capacity is limited, unless we make use of some of the 2,000 ships, if that is the number, which are now idle and tied up in our harbors and rivers. Probably some of them would have to be reconditioned. They have been tied up ever since the end of the war, and it might be necessary to make extensive repairs to put them in shape.

Mr. BREWSTER. I will say, for the benefit of the Senator from Kentucky and others interested, that apparently American labor, and the shipping industry as well, will be very grateful if they can have a very much more limited provision; for example, that 50 percent of the shipments from America shall go in American bottoms. Unfortunately, in the recent months there has been a very sharp decline. About 65 percent was going in American bottoms. In October it fell to 47 percent. Now it is considerably below that. On Friday I expect to offer an amendment which will contemplate that approximately 50 percent of the shipments of American goods from United States ports shall go in American ships. I think it is easily possible of attainment, and I hope the Senator from Kentucky may feel that he will be able to go that far.

Mr. BARKLEY. I will consider the amendment on its merits when it is offered. I should not like to anticipate what I will do about it.

Mr. BREWSTER. Mr. President, I wish to refer to something that has been said by Mr. OTIS BLAND, of Virginia, who was for a long time chairman of the Committee on Marine and Fisheries, and who wrote a very strong letter to the senior Senator from Maine [Mr. WHITE], chairman of the Senate Committee on Interstate and Foreign Commerce, in which, after pointing out his long service of 27 years on the Merchant Marine Committee in the House—and I am sure his opinion is entitled to great respect—he said:

I am so convinced that the proposal for the transfer of ships to foreign nations, individuals, or interests will do such irreparable damage that I shall be compelled to vote against the ERP bill if it provides for or permits transfer of ships to foreign powers, individuals, or interests. I believe such a course, in the present condition of the world, suicidal. We should do nothing now to impair our strength.

Mr. President, I ask that the entire letter be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., March 2, 1948.
Senator WALLACE H. WHITE, Jr.,
United States Senate,
Washington, D. C.

DEAR WALLACE: It has been proposed by the State Department that legislation be enacted to carry into effect the Marshall plan, and that the plan shall provide for the transfer of 500 merchant-marine ships.

I have been a member of the Committee on Merchant Marine and Fisheries since April 27, 1921; from 1933 to 1947 I was chairman of the House committee above mentioned, and I was privileged to secure the passage in 1935 of a merchant-marine bill which was subsequently amended in the Senate in 1936 and became the Merchant Marine Act of 1936.

I am so convinced that the proposal for the transfer of ships to foreign nations, individuals, or interests will do such irreparable damage that I shall be compelled to vote against the ERP bill if it provides for or permits transfer of ships to foreign powers, individuals, or interests. I believe such a course, in the present condition of the world, suicidal. We should do nothing now to impair our strength.

I enclose some remarks by me on this subject. I hope that you may find time to read the enclosures herewith, and that you may oppose the proposed transfer.

Yours very sincerely,

S. O. BLAND.

Mr. BREWSTER. Mr. President, the broader question, aside from the unfortunate effect on the 15,000 American seamen who would be put on the beach because of this transfer of American ships, the whole foreign shipping question should invite most careful attention. In 1938 the 16 European countries concerned had 48,000,000 tons of merchant shipping. Last year they had 44,000,000. In other words, there was a decline of only 4,000,000 tons.

The United States turned over to Europe, up to June 30, 1947, 670 ships, of a tonnage of 6,900,000 tons, and since that time 2,000,000 tons additional, making a total of practically 9,000,000 tons.

Meanwhile the American shipping picture is declining very rapidly, as in the

last 6 months of last year 372 American ships were obliged to haul down their flags and be "put in moth balls" in our ports. Those ships are now being retired at the rate of two a day. In other words, they are automatically being retired. It is proposed, on top of that enormous retirement of more than 400 ships up to the present, to take 300 additional ships out from under the American flag and turn them over to foreign registry for this purpose. It seems to me this should invite very careful attention.

Meanwhile foreign shipbuilding is going ahead apace, and that is what I think should be considered in connection with the whole Marshall recovery plan. It is proposed to increase the petroleum consumption in Europe by 250 percent over that of 1938. It is proposed to increase various other items from 20 to 200 percent. Meanwhile there is under construction in European shipyards today 4,500,000 tons of merchant shipping. There has been contracted for 5,000,000 tons more of merchant shipping, and it is contemplated that in addition to those two items, 6,200,000 tons more will be built, or a total of 15,700,000 tons of merchant shipping, which they propose to build, with scarce steel and scarce manpower, during the period when they are telling us that they are critically suffering.

There are plenty of ships in the water today under American and foreign registry to take care of every bit of cargo that can be offered, and will be for a long time to come.

The Marshall report showed that every country in Europe, outside of Italy, had a shortage of manpower. We certainly know there is a shortage of steel in both the United States and Europe. During this critical period, when we want recovery, when we are seeking to help Europe out, why should they divert all the materials and manpower required to build 15,700,000 tons of European shipping, largely at our expense?

Mr. McMAHON. Mr. President, will the Senator yield?

Mr. BREWSTER. I yield.

Mr. McMAHON. It seems to me that in the meeting of the Committee on Interstate and Foreign Commerce in which this question was discussed, it was pointed out that the shipping of which the Senator now speaks as being constructed in Europe consisted of smaller boats, which were useful on the canals of Europe, and that the shipyards there were not building freighters of 5,000 tons and over. In other words, while they have a pretty good allotment of freighters, they do not have the balanced fleet they need to avail themselves of the canal situation over the continent. Am I correct in that respect?

Mr. BREWSTER. The Senator is correct. An examination of the records which I have asked for as to how far that corresponds with the fact, I think will be very revealing. They show that of the tonnage which they now have under construction, some 2,000,000 tons

are of passenger vessels, which certainly do not correspond with the description of the very largest tonnage. I queried that statement at the time, as it had been repeatedly made, and from what information I have now, it would appear that a very large proportion of the 15,000,000 tons consists of ocean-going types, rather than of small boats for local service.

Mr. McMAHON. Has the Senator the tonnage estimate on that?

Mr. BREWSTER. I have the totals, but I do not have the complete breakdown. I have asked for it, and I hope to have it before I discuss this question again, because I felt it was a very important point.

Mr. McMAHON. Of course, it is highly necessary that they have ships they can use on the European canals, and as I understood at the time, that is what they were supposed to be building.

Mr. BREWSTER. It may interest the Senator to know that in the last 3 days of last week, before the authority to sell or charter expired, 70 vessels of our fleet were sold to foreign countries, only 7 of which were of the smaller type to which the Senator has referred. The other 63 were of the larger type of both Liberty and Victory ships, which indicates that they were securing those types of ships as far as they were able to. The preliminary report which I received when I requested classification, indicated that by far the greater bulk of this foreign-built tonnage was of the larger type, but I hope to have that information by next Friday.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point the statistics regarding the prewar United States merchant fleet and the present fleet. These are figures compiled from the Maritime Commission records. I find that I have some of the figures which the Senator from Connecticut requested, which are shown in the report of merchant ship building in the ERP countries. I ask that the entire list be printed in the RECORD at this point.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

PREWAR UNITED STATES MERCHANT FLEET

The oceangoing fleet consisted, as of June 30, 1939, of 1,398 vessels of 1,000 gross tons and over. These vessels aggregated 8,134,890 gross (11,698,840 dead weight) tons, distributed as follows:

Type of vessel	Number	Gross tons	Dead-weight tons
Combined passenger and freight.....	163	1,308,694	1,079,480
Freighter.....	851	4,121,955	6,363,780
Total dry-cargo.....	1,014	5,430,649	7,443,260
Tanker.....	384	2,704,241	4,255,580
Total.....	1,398	8,134,890	11,698,840

Three hundred and six vessels, aggregating 1,735,561 gross (2,390,712 dead weight) tons, were inactive. The active fleet—1,092 vessels, 6,399,329 gross (9,308,128 dead weight)

tons—was employed in the following manner:

	Vessels	Gross tons
Nearby foreign.....	92	532,562
Overseas foreign.....	216	1,485,770
Foreign-trading foreign.....	11	75,880
Total foreign.....	319	2,094,212
Domestic.....	772	4,298,000
Special service.....	1	7,117
Total.....	1,092	6,399,329

Source: The Postwar Outlook for American Shipping, June 15, 1946.

Employment of United States-flag vessels as of Jan. 1, 1948, 1,000 gross tons and over¹

	Foreign trade		Domestic trade	
	Number of vessels	Dead weight	Number of vessels	Dead weight
Freighter.....	1,610	16,650,500	194	1,782,000
Combination passenger and freighter.....	33	263,000	6	24,900
Tanker.....	137	2,199,000	311	4,606,800
Total.....	1,780	19,112,500	511	6,413,700

¹ Preliminary figures received from the Maritime Commission.

NOTE.—Not included in the above figures are 75 tankers, of 1,107,200 dead weight, and 177 dry-cargo vessels, of 1,627,500 dead weight, which were inactive on account of repairs and for other reasons on Jan. 1, 1948.

United States merchant fleet as of Jan. 1, 1948¹

	Dry-cargo	Tanker	Total
Active:			
United States privately owned.....	675	360	1,035
In active status under Maritime Commission.....	86	156	242
Bare-boat chartered under Merchant Ship Sales Act of 1946.....	1,134		
Total.....	1,895	516	2,411
Inactive: In reserve fleet.....	1,269	100	1,369
Sales:			
Sold and delivered, since VJ-day, to—			
Foreign companies.....	891	122	1,013
United States private companies.....	405	197	602
Total.....	1,296	319	1,615

¹ Composed of dry-cargo vessels 1,000 gross tons and over, and tankers 1,600 gross tons and over.

Source: U. S. Maritime Commission, Feb. 3, 1948.

Vessels in reserve fleet, by type,¹ as of Jan. 1, 1948

[Dry cargo, 1,000 gross tons and over; tankers, 1,600 gross tons and over]

TOTAL NUMBER IN RESERVE FLEET	
EC2.....	750
Z-EC2.....	27
VC2-AP2.....	61
VC2-AP3.....	5
VC2-AP4.....	1
VC2-AP5.....	60
C1-A.....	13
C1-B.....	26
C2.....	25
C3.....	11
C4.....	22
S4-cargo.....	25

¹ Includes foreign lay-up.

Vessels in reserve fleet, by type, as of
Jan. 1, 1948—Continued

S4-troop ships.....	11
P1-S2-L2.....	2
C1-S-AY1.....	7
Concrete.....	20
C1-M-AV1.....	23
N3.....	32
Cargo built prior to 1939.....	97
Passenger built prior to 1939.....	47
Miscellaneous.....	4
Total cargo.....	1,269
T1.....	11
T2.....	28
Z-ET1.....	36
Tankers built prior to 1939.....	21
Miscellaneous.....	4
Total tankers.....	100
Grand total.....	1,369

NOTE.—Includes information received through Jan. 7, 1948.

Source: U. S. Maritime Commission, Feb. 3, 1948.

Employment of U. S. Maritime Commission-owned vessels as of Jan. 1, 1948¹

	Foreign trade		Domestic trade	
	Number of vessels	Dead-weight	Number of vessels	Dead-weight
Tanker.....	56	887,100	69	1,083,400
Freighter.....	1,171	12,181,500	85	818,500
Combination passenger and freight.....	5	46,100		
Total.....	1,232	13,114,700	154	1,901,900

¹ Preliminary figures.

Source: U. S. Maritime Commission, Feb. 11, 1948.

Employment of United States privately owned merchant vessels as of Jan. 1, 1948¹

	Foreign trade		Domestic trade	
	Number of vessels	Dead-weight	Number of vessels	Dead-weight
Tanker.....	81	1,311,900	242	3,523,400
Freighter.....	439	4,469,000	109	963,500
Combination passenger and freight.....	28	216,900	6	24,900
Total.....	548	5,997,800	357	4,511,800

¹ Preliminary figures.

Source: U. S. Maritime Commission, Feb. 11, 1948.

Inactive U. S. Maritime Commission-owned vessels as of Jan. 1, 1948¹

	Number of vessels	Dead-weight
Tanker.....	48	730,600
Freighter.....	97	883,800
Combination passenger and freight.....	10	113,800
Total.....	155	1,728,200

¹ Preliminary figures.

Source: U. S. Maritime Commission, Feb. 11, 1948.

Maritime Commission estimates on postwar size of American merchant marine¹

	Ships	Dead weight (10,000)
FOREIGN TRADE		
Passenger.....	75	67
Combination.....	383	405
Dry-cargo.....		
Total.....	458	472
Tankers.....	33	55
Foreign trade subtotal.....	491	527
DOMESTIC TRADE		
Combination:		
Coastwise.....	7	2
Intercoastal.....	0	0
Noncontiguous.....	14	8
Dry-cargo:		
Coastwise.....	121	89
Intercoastal.....	101	117
Noncontiguous.....	56	48
Total.....	299	264
Tanker:		
Coastwise.....	225	329
Intercoastal.....	22	26
Noncontiguous.....	7	7
Total.....	254	362
Domestic trade subtotal.....	553	626
Grand total.....	1,044	2,140

¹ Bates Butler and Trade Route Committee Report.

² Difference from sum of individual categories due to rounding of figures.

Source: Report of the President's Advisory Committee on the Merchant Marine, November 1947, p. 53.

Comparison of United States-flag tonnage
[In thousands of dead-weight tons]

	Prewar, June 30, 1939		War, Sept. 1, 1945	
	Number of ships	Tonnage	Number of ships	Tonnage
ACTIVE FLEET.....	1,092	9,300	1,540	157,300
Privately owned.....	1,049			
Domestic trade.....	772			
Dry-cargo.....	415			
Passenger-cargo.....	53			
Tanker.....	304			
Foreign trade.....	277			
Dry-cargo.....	158			
Passenger-cargo.....	71			
Tanker.....	48			
Government-owned (USMC).....	43		2,540	257,300
Domestic-trade.....	None			
Foreign-trade.....	43			
Dry-cargo.....	36			
Passenger-cargo.....	7			
INACTIVE VESSELS³.....				
Dry-cargo.....	306	2,391		
Passenger-cargo.....				
Tanker.....				
Total active and inactive.....	1,398	11,691		

Footnotes at end of table.

Comparison of United States-flag tonnage—
Continued

[In thousands of dead-weight tons]

	Present, Jan. 1, 1948		Projected (postwar)	
	Number of ships	Tonnage	Number of ships	Tonnage
ACTIVE FLEET.....	2,327	25,617	1,044	11,530
Privately owned.....	941	10,510	1,044	11,530
Domestic trade.....	357	4,512	553	6,260
Dry-cargo.....	109	964	278	2,540
Passenger-cargo.....	6	25	21	100
Tanker.....	242	3,523	254	3,620
Foreign trade.....	548	5,998	491	5,270
Dry-cargo.....	439	4,469	383	4,050
Passenger-cargo.....	28	217	75	670
Tanker.....	81	1,312	33	550
Government-owned (USMC).....	1,386	15,017		
Domestic trade.....	154	1,902		
Dry-cargo.....	85	819		
Tanker.....	69	1,083		
Foreign trade.....	1,232	13,115		
Dry-cargo.....	1,171	12,182		
Passenger-cargo.....	5	46		
Tanker.....	56	887		
INACTIVE VESSELS³.....	252	2,735		
Dry-cargo.....	177	1,628		
Tanker.....	75	1,107		
Total, active and inactive.....	2,411	26,600		
LAID-UP FLEET.....	1,369	14,725	2,000	26,000
Dry-cargo.....	1,269	13,300		
Passenger-cargo.....				
Tanker.....	100	1,400		

¹ Government-controlled.

² As shown in Report of President's Advisory Committee on the Merchant Marine, p. 54.

³ Temporarily inactive due to repairs or for other reasons.

⁴ Including vessels in the laid-up fleet.

⁵ Freight and passenger.

MERCHANT SHIPBUILDING IN ERP COUNTRIES

Shipbuilding projected by the 16 participating countries for the period 1947-51 will aggregate, according to their present plans as stated in the report emanating from Paris, approximately 11,231,000 gross (15,700,000 deadweight) tons. Approximately 4,500,000 deadweight tons of this shipping is now under construction, while contracts have been signed for an additional 5,000,000 tons. The shipping actually under construction and contracted for, therefore, amounts to a total of 9,500,000 tons. This leaves 6,200,000 tons as projected and on which action has not yet been taken.

It has been estimated that steel requirements for this building program would amount to approximately 6,000,000 metric tons. This is about 5 percent of the total steel requirements of the 16 countries (120,000,000 tons).

A summary of the projected programs in thousands of gross tons (dead-weight tons not available) is shown below:

	In own country	In other countries	Total
Passenger.....	271	92	363
Dry-cargo.....	5,603	2,466	8,069
Tanker.....	1,528	1,271	2,799
Total.....	7,402	3,829	11,231

In discussions with shipping representatives of the participating countries, it was pointed out that these building programs can be justified on the grounds that shipbuilding is, for some, a basic industry; that shipbuilding labor is not, generally speaking, interchangeable with other labor; that the fleets of most of these countries are still below their prewar level; that a considerable number of vessels must be scrapped or laid up on account of obsolescence within the next few years; and, finally, that shipping is the most economical and effective method by which certain of the participating countries can earn foreign exchange and can, at the same time, reduce their requirements for aid from the United States.

Passenger vessels projected by the participating countries for the recovery period aggregate 363,000 gross (approximately 200,000 dead-weight) tons. Passenger tonnage actually contracted for, as of June 30, 1947, consisted of 24 vessels, of 182,000 gross (48,800 dead weight) tons.

The participating countries have pointed out that they need passenger vessels to maintain communications with each other, to earn foreign exchange, and to keep in touch with distant possessions. They also point out that there is a shortage of space combined with a heavy backlog demand.

The shipbuilding program of the participating countries is, according to their statements, predicated on a high rate of obsolescence and, presumably, on the retirement of some 3,900,000 dead-weight tons of shipping during the next few years. Since the 16 countries are now operating some 11,000,000 deadweight tons of vessels more than 20 years old, their plans for the retirement of tonnage would not appear to be unreasonable.

From information available in Washington, there is no indication, with the exception of the United Kingdom, of any cutback since July 1, 1947, in the shipbuilding programs of the participating countries. It is indicated that a reduction of 20 percent has been ordered in available steel for ship construction in the United Kingdom for 1948.

The attached tables show the details of construction programs of the 16 countries.

TABLE I.—Estimated construction of merchant type vessels for participating countries

[Mid-1947 to end of 1951; in thousands of gross tons]

	Passenger	Dry-cargo	Tanker	Total
Belgium:				
In own country.....		194	10	204
In other countries.....				
Total.....		194	10	204

TABLE II.—Construction of passenger vessels¹ by the participating countries

[Vessels contracted for as of June 30, 1947; in thousands of tons]

	Number	Gross registered tonnage	Dead-weight tonnage	Passenger capacity	Remarks
France.....	10	84	20.7	6,748	For colonial trades; mostly to replace war losses, <i>Ausonia</i> , <i>William Ruys</i> (now completed). No. 410, Nederlandsche Dock. <i>Caronia</i> ; others for cross-channel and coasting services.
Italy.....	1	8	1.5	300	
Netherlands.....	1	21.5	7.3	750	
Norway.....	1	15	8	600	
United Kingdom.....	11	53.6	11.3	15,800	
Total.....	24	182.1	48.8	24,198	

¹ Vessels of "no substantial cargo capacity."

Source: Committee of European Economic Cooperation, Paris, 1947.

TABLE I—Continued

[Mid-1947 to end of 1951; in thousands of gross tons]

	Passenger	Dry-cargo	Tanker	Total
Denmark:				
In own country.....	15	185	80	280
In other countries.....	15	258	85	358
Total.....	30	443	165	638
Eire:				
In own country.....		15		15
In other countries.....		32		32
Total.....		47		47
France:				
In own country.....	73	592	160	825
In other countries.....	29	510	110	649
Total.....	102	1,102	270	1,474
Greece:				
In own country.....				
In other countries.....		50	50	100
Total.....		50	50	100
Iceland:				
In own country.....				
In other countries.....		10		10
Total.....		10		10
Italy:				
In own country.....	48	885	41	974
In other countries.....				
Total.....	48	885	41	974
Netherlands:				
In own country.....	81	628	118	827
In other countries.....		555	169	724
Total.....	81	1,183	287	1,551
Norway:				
In own country.....		100	100	200
In other countries.....	15	867	857	1,730
Total.....	15	967	957	1,939
Portugal:				
In own country.....		40	7	47
In other countries.....		80		80
Total.....		120	7	127
Sweden:				
In own country.....		145	115	260
In other countries.....		80		80
Total.....		225	115	340
Switzerland:				
In own country.....				
In other countries.....		20		20
Total.....		20		20
Turkey:				
In own country.....				
In other countries.....	33	4		37
Total.....	33	4		37
United Kingdom:				
In own country.....	54	2,819	897	3,770
In other countries.....				
Total.....	54	2,819	897	3,770
All countries:				
In own country.....	271	5,603	1,528	7,402
In other countries.....	92	2,466	1,271	3,829
Total.....	363	8,069	2,799	11,231

Source: Committee of European Economic Cooperation, Paris, 1947.

Mr. BREWSTER. I have also the record of March 3, 1948, as to the final transfer of vessels to foreign registry under the Ship Sales Act, showing the number which were transferred in the 2 months since the first of the year following the earlier tabulation I have given. I ask unanimous consent to have that table printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

FINAL TRANSFER OF VESSELS, FOREIGN, UNDER SHIP SALES ACT

The following are the sales approved by the Commission to noncitizens prior to the deadline summarized by type of vessel and number going to each country:

N3:	
Philippines.....	3
Nicaragua.....	2
Italy.....	9
Finland.....	1
Argentina.....	2
Total.....	17

C1-M-AV1:	
Chile.....	2
China.....	8
Philippines.....	4
Sweden.....	1
Uruguay.....	2
Total.....	17

VC2-S-AP2: China.....	3
-----------------------	---

C1-SAY1: China.....	4
---------------------	---

C1B:	
Ireland.....	2
New Zealand.....	1
Total.....	3

American Liberties (oil):	
France.....	1
Greece.....	1
Norway.....	1
South Africa.....	1
Mexico.....	4
Total.....	8

Canadian Liberties (coal):	
India.....	4
Iran.....	3
Italy.....	5
Pakistan.....	1
Uruguay.....	2
Total.....	15

C2-(M): Netherlands.....	1
--------------------------	---

T1-MBT:	
Argentina.....	2
Netherlands.....	3
Total.....	5

Mr. BREWSTER. There was another matter which was developed in this connection, and which I think also has an important bearing, as it was reported that the Dutch at the present time are transferring ships to Finland and Poland in return for products from those countries. If that sort of thing is going on, if European shipyards are constructing merchant ships for countries within the satellite zone behind the iron curtain, I think it has a further and a very important bearing. Six million tons of steel will be required to build those 15,000,000 tons of merchant shipping in Europe. I think it is incumbent upon someone to explain to us why, with the

critical shortage of steel, material, and manpower in Europe, and here in America, any such amount of material and manpower should be diverted to a purpose which, however desirable it may be ultimately, is utterly unnecessary so far as the recovery program is concerned. I shall hope that not only may we adopt the amendment to stop the foreign chartering of American ships, but that we may have an adequate explanation of why the expenditure of the millions upon millions of dollars which will be required for the purpose of constructing these ships in Europe should go on when we are straining our own resources so seriously in order to assist our friends in their recovery.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Arkansas [Mr. FULBRIGHT].

Mr. KNOWLAND. Mr. President, along the general line of the subject, discussed by the junior Senator from Maine [Mr. BREWSTER] I wish to call to the attention of the Senate the statement which was made before the Foreign Relations Committee on the Marshall plan, by Mr. Harry Lundeberg, president of the Seafarers International Union of North America, and secretary-treasurer, Sailors Union of the Pacific, affiliated with the American Federation of Labor. He appeared in favor of the Marshall plan before the committee, and stated:

At the outset I want to make it perfectly clear that the Seafarers International Union supports the general principles of the Marshall plan and recognizes the need for taking every reasonable step to rehabilitate the nations of Europe.

Further on in his remarks before the committee Mr. Lundeberg said:

According to the United States Department of Commerce, United States ships handled only 49 percent of all United States foreign cargoes in the first 9 months of 1947.

This situation is even worse on the west coast, where in August 1947 American ships handled only 42 percent of all United States imports and exports, and the share of United States ships in the haulage of our imports and exports is steadily declining. The effect of this situation is shown clearly in the seafaring employment on the west coast, which dropped nearly 2,000 jobs in the final quarter of 1947.

He ended his recommendation by saying:

We further ask that Congress insert a rider in the Marshall plan to the effect that not less than half of the cargo shipped to Europe under the Marshall plan will be carried in American bottoms.

I have had prepared for some time an amendment to the Marshall plan, the pending legislation, which is very brief. The amendment is as follows:

On page 22, after line 20, insert a new subsection, as follows:

"(d) In transporting commodities to participating countries, the Administrator shall require that at least 50 percent of the gross tonnage of all commodities transported shall be transported in vessels documented under the laws of the United States, whenever such vessels are available."

Mr. President, I submit the amendment and ask that it be printed and lie on the table.

The PRESIDING OFFICER. Without objection, the amendment will be printed and will lie on the table.

EXTENSION OF RECIPROCAL TRADE AGREEMENTS ACT

Mr. BUTLER. Mr. President, in due course I shall address the Senate on the Marshall plan, but at this time I wish to present, for insertion in the RECORD, some material relative to the proposed extension of the Reciprocal Trade Agreements Act. I should like to have this material appear in the RECORD following the debate today on the Marshall plan.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

POPE, BALLARD & LOOS,
Washington, D. C., February 21, 1948.
Re trade agreement with Mexico.

Hon. HUGH BUTLER,
Senate Finance Committee,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BUTLER: I refer to my letter of February 19 and particularly to the last paragraph and the second postscript thereof stating that the Committee for Reciprocity Information (CRI) probably would not consider the fluorspar brief or permit the Fluorspar Producers to appear at the public hearing to express their views since they are not exporters.

At first the CRI decided not to permit us to express our views because the hearings are limited to expression of views by exporters. Other groups such as laborers and producers interested in imports from Mexico had been told by the CRI not even to submit their views in writing. Consequently Fluorspar Producers were stricken from the draft copy of the calendar prepared by the CRI staff on instructions from the CRI (probably from the State Department). The calendar of appearances at the public hearing published by the CRI on February 19, 1948, does not list Fluorspar Producers.

However, after publishing the calendar and advising me by telephone that the Fluorspar Producers would not be permitted to present their views because they were not exporters, the CRI reconsidered on February 20 and advised me by phone that afternoon that they would permit us to appear as the last witness on February 27. We have not yet been advised in writing, in answer to our letter and brief filed with the CRI on the morning of February 18, whether we will be permitted to appear.

At best, we are being permitted to appear only because the State Department and the CRI apparently saw the political dynamite in their previous decision not to permit us to appear. Probably we are the only group interested in imports from Mexico which is being permitted to appear. We have no assurance that they will pay any attention to what we will say. In fact, we are assured that they will not give any serious consideration to our views.

We are getting in only because we took the bull by the horns, kicked the door down, and walked in uninvited.

How about those producers and labor groups which wanted to appear but were told not even to submit written views, because the CRI was interested only in the views of exporters, and took it lying down? They are not being heard.

How about the millions of producers and laborers and others interested in imports from Mexico who would like to have appeared, but who read the public notice (December 30, 1947) by the State Department and said, "Oh, what's the use of trying to buck the State Department—they get away

with anything they want to do anyhow, and it would be a waste of time and money for us to go to Washington and object"? They are not being heard.

The Fluorspar Producers and millions of other producers and laborers need the protection of Congress from deception such as this from the State Department—that is why they elected this particular Congress; that is why they returned a Republican majority to Congress November 1946; that is why they will return a Republican Congress in November 1948 and elect a Republican President if this Congress meets its obligation and mandate from the people; that is why millions of producers spent millions of dollars to come to Washington and appear before the CRI to vainly express their views and see their Congressmen before they were sold down the river at Geneva last year by the State Department; that is why they realized that the CRI was only window dressing to fool Congress and the public on a preconceived and predetermined State Department program to cut off most of the justified and necessary protection of American producers and laborers regardless of what foreign countries did to their import barriers against the United States, and in the guise of reciprocity; that is why those same producers and laborers spent still more millions of dollars to come again to Washington to testify before the Ways and Means Committee of their newly elected Congress in the hopes that the Geneva fiasco would be stopped or that Congress would beat some sense into the State Department and the President. Yet nothing was done; that is why we and many other groups supported the wool growers in their fight for reasonable protection; that is why Congress passed a bill in the last session to assure the wool growers a minimum of necessary protection to stay in business, only to have the wool pulled over their eyes again by a State Department-inspired Presidential veto.

Yet the Geneva fiasco was permitted to go through. And the worst of our fears expressed to the Ways and Means Committee were abundantly confirmed. The State Department outdid itself. It even went further than we had feared in selling the United States farmers and other producers and laborers down the river.

Practically every United States tariff of any consequence was cut at Geneva in return for more embargoes, quotas, license restrictions and many other hidden forms of import restrictions against United States exports imposed by almost every other nation in the world (Great Britain and Canada being notable examples) before, during, and after the Geneva trade conference. This is what the State Department calls reciprocity under the Reciprocal Trade Agreements Act, about which the State Department misleads the public by characterizing as a "Yankee trading proposition." No Yankee would condone that kind of trading. We hope there are a lot of Yankees in Congress. We have searched diligently for several years now and have failed to find a single Yankee in the State Department.

Two examples of the State Department's disregard for all factors going against their predetermined program of tariff cutting regardless of consequences should be cited.

The producers of wool and manufacturers of wool cloth opposed any cut in the tariff on raw wool and pointed out that the tariff should be increased or quota protection afforded. The Under Secretary of Agriculture repeatedly advised committees of Congress that added protection in the form of quotas or increased import fees were necessary. Congress passed a bill to provide for such additional protection when imports proved damaging to American wool growers. Will Clayton immediately jumped on a plane in Geneva, where he was negotiating a decrease in the already inadequate tariff, and talked the President into vetoing that bill. Then

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 3 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. KNOWLAND to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 22, after line 20, insert a new subsection as follows:

- 1 (d) In transporting commodities to participating coun-
- 2 tries, the Administrator shall require that at least 50 per
- 3 centum of the gross tonnage of all commodities transported
- 4 shall be transported in vessels documented under the laws
- 5 of the United States, whenever such vessels are available.

AMENDMENT

Intended to be proposed by Mr. KNOWLAND to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 3 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

80TH CONGRESS
2D SESSION

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 3 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. BALL (for himself and Mr. WHERRY) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 21, after line 18, insert a new subsection as follows:

- 1 (d) (1) Of the funds authorized under this Act no
2 greater amount shall be expended for the furnishing or
3 making available to participating countries of food, medical
4 supplies, processed and unprocessed materials for clothing
5 fuel, pesticides, and other relief supplies or assistance that

1 the amount specified in the aggregate for such purpose in
2 the Acts making such appropriations.

3 (2) None of the funds authorized or made available
4 under this Act (other than amounts specified pursuant to
5 paragraph (1)) shall be available for extending assistance
6 to any participating country except in accordance with
7 specific projects submitted to and approved by the Adminis-
8 trator pursuant to section 15 (b) (1). Notwithstanding
9 the provisions of paragraph (1), any of the funds authorized
10 or made available by this Act may be used for the furnishing
11 or making available to a participating country of food, medi-
12 cal supplies, processed and unprocessed materials for clothing,
13 fuel, or pesticides if (A) such articles are allocated to a
14 specific project submitted to and approved by the Adminis-
15 trator under section 15 (b) (1), and (B) the Administrator
16 determines that such allocation is necessary to the successful
17 carrying out of such project.

AMENDMENT

Intended to be proposed by Mr. BALL (for himself and Mr. WHEAT) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

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80TH CONGRESS
2D SESSION

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 3 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. BALL (for himself, Mr. CAIN, Mr. HAWKES, and Mr. WHERRY) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: Insert at the proper place in the bill a new section reading as follows:

- 1 SEC. . (a) The Congress hereby declares that the
2 achievement of the purposes of this Act as set forth in section
3 2 requires the creation of an international agency capable of
4 defending all member nations and peoples against aggression
5 or subversion threatening their independence or freedom,

1 since fear of such aggression or subversion is undermining the
2 confidence essential to economic recovery.

3 (b) To accomplish the purposes of this Act and the
4 policy declared in subsection (a) of this section, the Congress
5 directs the President and the Secretary of State to undertake
6 immediately to negotiate with other members of the United
7 Nations an agreement providing—

8 (1) for the establishment of a Supreme Council to
9 consist of eleven members, all signatories of the agree-
10 ment who are elected or permanent members of the
11 Security Council of the United Nations to be, ipso facto,
12 elected or permanent members of the Supreme Council,
13 and any remaining members to be elected by the other
14 signatories of the agreement;

15 (2) that each member of the Supreme Council shall
16 have one vote, and that all decisions of the Supreme
17 Council shall be made by the affirmative vote of seven
18 or more members, including the concurring votes of a
19 majority of the permanent members;

20 (3) that all signatories to the agreement shall
21 agree, by their respective constitutional processes, to
22 make their armed forces and resources available to the
23 Supreme Council whenever the Council decides that the
24 use of such forces and resources is necessary to maintain
25 peace or to defend the freedom or independence of any

1 or all signatories against aggression or subversion in any
2 form;

3 (4) that the agreement shall become valid and
4 binding as between its signatories when it shall have
5 been ratified by eleven or more members of the United
6 Nations in accordance with their respective constitu-
7 tional processes.

AMENDMENT

Intended to be proposed by Mr. BALL (for himself, Mr. CAIN, Mr. HAWKES, and Mr. WHERRY) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

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IN THE SENATE OF THE UNITED STATES

MARCH 3 (legislative day, FEBRUARY 2), 1948

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AMENDMENTS

Intended to be proposed by Mr. BALL (for himself and Mr. WHERRY) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz:

1 On page 15, line 14, strike out “(5)” and insert “(6)”.

2 On page 17, after line 2, insert the following:

3 “(6) the allocation of commodities or services to
4 specific projects designed to carry out the purposes of
5 this Act, which have been submitted to the Adminis-
6 trator by participating countries and have been approved
7 by him.”

AMENDMENTS

Intended to be proposed by Mr. BALL (for himself and Mr. WHEAT) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 3 (legislative day, FEBRUARY 2), 1948
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1 On page 28, beginning with the comma in line 18, strike
2 out down to and including the comma after the word "Act"
3 in line 19.

4 On page 28, in line 22, strike out the following: "when-
5 ever practicable,".

IN THE SENATE OF THE UNITED STATES

MARCH 3 (legislative day, FEBRUARY 2), 1948

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AMENDMENT

Intended to be proposed by Mr. BALL (for himself and Mr. WHERRY) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz:

- 1 On page 29, line 2, strike out the words “valid rate of
- 2 exchange” and insert in lieu thereof the following: “rate of
- 3 exchange which will reflect with reasonable accuracy the
- 4 actual purchasing power of such currency”.

AMENDMENT

Intended to be proposed by Mr. BALL (for himself and Mr. WHEATY) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

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IN THE SENATE OF THE UNITED STATES

MARCH 3 (legislative day, FEBRUARY 2), 1948

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AMENDMENTS

Intended to be proposed by Mr. BREWSTER (for himself, Mr. WHITE, Mr. BROOKS, Mr. BUTLER, Mr. WHERRY, Mr. ELLENDER, Mr. ECTON, Mr. DWORSHAK, Mr. MAGNUSON, Mr. WATKINS, Mr. HAWKES, and Mr. CAIN) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz:

1 On page 15, line 24, beginning with the word “mer-
2 chant” strike out all through “subsection,” on page 16,
3 line 1.

4 On page 16, beginning with line 10, strike out all
5 through line 20.

6 On page 16, line 21, strike out “(5)” and insert in
7 lieu thereof “(4)”.

AMENDMENTS

Intended to be proposed by Mr. Brewster (for himself, Mr. White, Mr. Brooks, Mr. Butler, Mr. Wherry, Mr. Ellender, Mr. Ecton, Mr. Dworshak, Mr. Magnuson, Mr. Watkins, Mr. Hawkes, and Mr. Cain) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 3 (legislative day, FEBRUARY 2), 1948
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CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued March 5, 1948
For actions of March 4, 1948
80th-2nd, No. 41

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HIGHLIGHTS: Herter Committee submitted various reports on foreign aid. Senate committee reported measure for use of Sec. 32 funds in connection with foreign aid. During debate on State-Justice-Commerce appropriation bill, House agreed to amendment restoring some cotton statistics funds in Census Bureau. Sen. Kom introduced meat inspection bill. Sen. McCarran introduced bill to revise Federal personnel classification.

HOUSE

1. STATE, JUSTICE, COMMERCE, JUDICIARY APPROPRIATION BILL. Continued debate on this bill, H. R. 5607 (pp. 2216-44).
Agreed to an amendment by Rep. Whittington, Miss., restoring \$170,000. of the Committee's reduction in Census Bureau, for cotton statistics (pp. 2240-1). Previously rejected an amendment by Rep. Gary, Va., to restore the Budget estimate on the entire current-census-statistics item (pp. 2239-40).
Rep. Murray, Wis., inserted biographical statements on the agricultural attaches of the Foreign Service (pp. 2224-9).
2. FOREIGN AID. Received reports from the Committee on Foreign Aid (Herter Committee) as follows: Report on Germany (H. Rept. 1500), What western Europe can do for itself (H. Rept. 1501), inflation and methods of financing foreign-aid program (H. Rept. 1502), governmental control powers affecting the foreign-aid program (H. Rept. 1503), transportation as it affects the European recovery program (H. Rept. 1504), report on Greece (H. Rept. 1505) (p. 2256).
3. RECLAMATION. The Public Lands Committee reported with amendments H. R. 4954, to authorize the Kennewick division of the Yakima project, Wash. (H. Rept. 1507) (p. 2256).
4. LEGISLATIVE PROGRAM, as announced by Majority Leader Halleck: Today, S-J-C-J appropriation bill, synthetic-rubber bill; Mon., Labor-Federal Security appropriation bill; Tues., same and miscellaneous military bills; Thurs. and Fri., Treasury-Post Office appropriation bill (p. 2244).

5. **SURPLUS COMMODITIES.** The Agriculture and Forestry Committee reported without amendment S.J.Res. 187, which provides that, to encourage exportation of surplus commodities for foreign aid, the Department may make payments from Sec. 32 funds, including payments to any Government agency procuring or selling such commodities or products, in an amount not over 50 percent of the sales prices; and cancels the rescission of Sec. 32 funds by Public Law 266, 80th Cong. (S. Rept. 966) (p. 2167).
6. **EXECUTIVE REORGANIZATION.** The Labor and Public Welfare Committee reported adversely H.Con.Res. 131, which would disapprove the President's Reorganization Plan No. 1, 1948, to transfer the U.S. employment service and the Bureau of Employment Security from the Federal Security Agency to the Labor Department (S.Rept. 967) (pp. 2167-8). This action, in effect, supports the President's plan.
7. **EUROPEAN RECOVERY PROGRAM.** Continued debate on S. 2202, the ERP bill (pp. 2178-203).
Sen. Johnson, Colo., inserted his recent address before the North Park College forum, outlining his proposals for a foreign aid plan (pp. 2203-7).
8. **PRICES.** Sen. Murray, Mont., inserted and discussed a Trainman News article urging adjustments in prices as a means of stabilizing employment and the economy generally (pp. 2172-3).
9. **PERSONNEL.** Sen. Flanders, Vt., inserted a memorandum of the Parliamentarian concluding that action of the conferees on certain points of difference between the Senate and House versions of H.R. 4127, the bill amending the Civil Service Retirement Act, were within the power of the conferees (p. 2170). Some claims had been made that actions by the conferees on certain points were not within their purview.
10. **EXPORT CONTROLS.** Sen. Wherry, Nebr., inserted an Omaha World-Herald editorial criticizing export control activities of the Office of International Trade, Commerce Department (p. 2207).

BILLS INTRODUCED

11. **MEAT INSPECTION.** S. 2256, by Sen. Kem, Mo., relating to the meat-inspection service of the Department of Agriculture. To Agriculture and Forestry Committee. (p. 2168)
12. **PERSONNEL.** S. 2265, by Sen. McCarran, Nev., to amend the salary rates contained in the compensation schedules of the Classification Act of 1923. To Post Office and Civil Service Committee. Remarks of author. (p. 2168.)
H.R. 5712, by Rep. Jones, Wash., to provide for automatic increases in compensation, in certain cases, for persons with temporary indefinite appointments. To Post Office and Civil Service Committee. (p. 2257.)
H.R. 5715, by Rep. Jones, Wash., to extend the benefits of Sec. 1(c) of the Civil Service Retirement Act to employees who were involuntarily separated during the period from July 1, 1945, to July 1, 1947, after having rendered 25 years of service, but prior to attainment of age 55. To Post Office and Civil Service Committee. (p. 2257.)
13. **PUBLIC WORKS.** S. 2260, by Sen. Martin, Pa., to enable States and their agencies and political subdivisions to plan for the construction of public works. To Public Works Committee. (p. 2168.)

practical matter and must have a sound social and legal foundation

I know there are some fine people in the Nation who are sincerely interested in the Negro of the South. They want to do something for him. They think legislation will help him. I think I should give the Senate my ideas on the subject.

Political parties as such will not help the Negro.

The only appreciable number of people in the Nation who will do anything worthwhile for the rank and file southern Negro and give him fair opportunities to develop are the southern white people who live where he lives. The white people protect the Negroes and respect them in the proper and mutually understood and mutually desired relations between the races. The southern white is the only one who really understands the southern Negro, and the real southern Negro understands only the southern white. Let them go their way in peace. Let them work out their salvation in this great section where the races live in the closest and friendliest contact and are happier together than are similar people anywhere else in the world under like conditions.

We in the South have no fear of our relations with the southern Negroes. We fear the paid agitators and the organizers who make their living by coming in and stirring him up, arousing his suspicion, inflaming the feelings of both races, and then skipping the country if trouble does threaten.

When we superimpose over the fine relations we have and the progress we are making in the South, the so-called civil-rights bills, including local segregation laws, which would destroy the necessary customs of the South, we stir up civil strife and racial enmity that could well largely paralyze industrial and commercial development. We will also set the Negro back many years.

I want to call this threatened legislation to the attention of the business interest of the East and North that have plants and capital invested in the South. Relations are good. The Negro is making good wages, more money than he has ever made. This legislation will stir up strife, enmity, and jealousy. It would perhaps stop the wheels of your industry. You and your employees would pay the price.

If we pass laws which the upright, law-abiding people of any substantial area of our Nation cannot obey and properly respect, while retaining their self-respect, then we drive the very best part of our citizenship partly underground. We prepare the hotbed and plant the seed that lead to the eventually destructive methods of secret organizations which, once started, cannot be quickly curbed or controlled. Calmly consider for a long time before you again inflict on the Nation the destructive and far-reaching influence of such ill-advised and uncontrolled movements and organizations.

I believe, Mr. President, that the South is standing today at the threshold of the greatest era of development it has known for almost a hundred years, and that

within the next 25 years it will make definite and far-reaching accomplishments on many fronts. The people have a forward-looking spirit. We have more local capital, and we are friendly to outside capital. Hundreds and hundreds of oil derricks arise amidst our young and growing forests. A cattle and dairy industry is developing rapidly. Smokestacks are dotting the horizon, and we are converting a large portion of our raw materials into finished products. There is new wealth and more wealth being created there. We are building new schools, new roads, and new hospitals in our cities, our small towns, and our rural communities. There is not time to present the facts and figures here now, but all races and groups are sharing in the profits of this development. Factual figures will be presented later.

There is a way to keep our racial relations adjusted in the South to the mutual benefit of the races. But Federal legislation is not the way. It will fail, and the Negro will be the serious victim of that failure. So I speak for all groups and races when I say, let us work out our own problems. We are making progress, and we have fear of only one thing that will disturb those relations, and that is outside interference.

Now, Mr. President, in conclusion, I remind my colleagues that there is more involved here than the mere passage of legislation proposed by pressure groups. We are not dealing in finance, or commerce, or things of the market place. There is involved the pride of a proud and spirited people. Their honor, their political soul, and their way of life, are at stake. They can take only so much and retain their self-respect. They will not take more. They are not indifferent or insensible to the problems of the times. They want to do their part toward solving them, and they are doing their part. Time is the only element needed. Give us time. Do not afflict all of us in our area with the irreparable injury that will come from Federal legislation on these most delicate subjects.

I close now with the theme of thought that will control much of my thinking so long as I am a Member of the United States Senate. Instead of afflicting the people of our great land with more and more bureaus and a greatly extended police power that will pry more and more into the political and private and personal affairs of our people, all operated from a centralized government at Washington, let us start putting the Government back where it belongs—let us put it back in the county courthouses—back in the hands of the people. That may not be the most efficient form of government, but it is the best. [Applause on the floor.]

Mr. SMITH obtained the floor.

Mr. RUSSELL. Mr. President, will the Senator yield a moment?

The PRESIDING OFFICER (Mr. FLANDERS in the chair). Does the Senator from New Jersey yield to the Senator from Georgia?

Mr. SMITH. Does the Senator wish to make extended remarks?

Mr. RUSSELL. Only a very brief statement.

Mr. SMITH. I am very glad to yield.

Mr. RUSSELL. Mr. President, I merely wish to express my congratulations to the distinguished junior Senator from Mississippi [Mr. STENNIS] upon the able and well-reasoned address he has just delivered. I would that every citizen in other areas in this land who is interested sincerely in the grave problems of the South, other than from a political standpoint, might read and pay heed to the words the Senator has uttered.

I was shocked to hear that, regardless of any feeling which might have been engendered, any committee of this body would deny a hearing to a member of the committee on a matter which vitally affected his State. I am not impressed with the specious argument that the matter having been considered by the Senate before, there was no necessity for hearings. The Senate has just finished the consideration of the St. Lawrence seaway matter, which has been beating around the Senate since I have been a Member, but in each Congress a hearing on that subject was accorded.

Mr. President, there are many of us who feel that the attempt to remove the poll tax by Federal statute is unconstitutional. My State has no poll tax. I am glad it does not, because, as I have stated on the Senate floor in years past, I think it is outmoded. But article I, section 2, of the Constitution of the United States, and the seventeenth amendment, present the only instances where language is employed in the Constitution in identical terms; in other words, where language is repeated. The Federal Constitution, in specific terms, leaves the matter of fixing qualifications of voters to the several States in both of these provisions. There are seven States which have in their constitutions and laws provision for a poll tax. So I consider the action of this subcommittee in denying a hearing as being a lynching of the Constitution of the United States, of the constitutions and laws of seven States, of the rights of a Member of the Senate, and of the normal procedure of the Senate.

I might say further, if the Senator from New Jersey will indulge me only one moment more, that the door of the subcommittee may be closed, but those of us who are opposed to this high-handed and arbitrary action should not maintain silence on the floor of the Senate of the United States. I propose that those who are interested in this question, and who have been denied a hearing, prepare their briefs, including the statements which have been made by great men in years past, like William E. Borah, pointing out the unconstitutionality of such a measure, and that we read them on the floor of the Senate. We may not be able to make the committee hear us, but we will at least put in the pages of the CONGRESSIONAL RECORD the views which in normal circumstances would be received by a committee.

Mr. President, I again congratulate the Senator from Mississippi.

Mr. SMITH. Mr. President, I intend to address myself today to the unfinished business, Senate bill 2202, but I

wish to express to my friend the junior Senator from Mississippi [Mr. STENNIS] my appreciation of the temperate and thoughtful case he has presented from the southern point of view.

I should first like to correct one statement that was made which implies that the subcommittee of the Committee on Labor and Public Welfare did not give a hearing on the bill recently introduced by the Senator from New York [Mr. IVES]. Full hearings were had on the bill, and, so far as I am concerned, I did not know anyone else wished to be heard on it. If that was the bill referred to, I think the RECORD should show that full hearings were held, and the record of the hearing is available to anyone who wishes to read it.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. EASTLAND. I desire to correct the assumption of the Senator from New Jersey as to what the junior Senator from Mississippi said. The statement made by the Senator from Mississippi was that no hearings were held on the anti-poll-tax bill.

Mr. SMITH. I apologize. I thought the reference was made to the FEPC bill. I had sat in the hearings on that bill, and thought I should make clear that hearings had been held on it. I thank the senior Senator from Mississippi for his correction.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. RUSSELL. The only statement made by the junior Senator from Mississippi was in respect to the anti-poll-tax bill.

Mr. SMITH. I know nothing about that.

Mr. MAYBANK. Mr. President, I wish to commend the distinguished junior Senator from Mississippi for the clear, reasonable, and masterful constitutional speech which he has made on the Senate floor today. The reason why I rise to say these few words is that in 1946 the Senate appointed me, along with other Senators, as a special investigating committee in connection with the elections in Mississippi in that year. I had the opportunity of being there with distinguished Republicans as well as distinguished Democrats. Under the chairmanship of the Senator from Louisiana [Mr. ELLENDER], we studied the laws and the constitution. We believed in the rights of the people of Mississippi. We came back and said so. At that time Edgar Brown, colored leader, asked the President of the Senate to expel the Senator from Louisiana and me for our views.

I feel vindicated when I see the type of gentleman which Mississippi has sent to the United States Senate standing on the Senate floor and making one of the greatest and most statesmanlike speeches that has been made in many a year.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of

the two Houses on the amendment of the House to the bill (S. 1317) to give to members of the Crow Tribe the power to manage and assume charge of their restricted lands, for their own use or for lease purposes, while such lands remain under trust patents.

The message also announced that the House had disagreed to the amendment of the Senate to the bill (H. R. 2298) to amend the Interstate Commerce Act, as amended, and for other purposes; asked a conference with the Senate on the disagreeing votes of the two Houses thereon, and that Mr. WOLVERTON, Mr. LEONARD W. HALL, Mr. GILLETTE, Mr. BULWINKLE, and Mr. HARRIS were appointed managers on the part of the House at the conference.

AMENDMENT OF INTERSTATE COMMERCE ACT—RAILROAD REORGANIZATION

The PRESIDING OFFICER (Mr. IVES in the chair) laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H. R. 2298) to amend the Interstate Commerce Act, as amended, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. REED. I move that the Senate insist upon its amendment, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. REED, Mr. HAWKES, and Mr. MYERS conferees on the part of the Senate.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. SMITH. Mr. President, I am addressing myself to the unfinished business, which is the European recovery program. In considering what I should say on this matter, it seems to me that as a member of the Committee on Foreign Relations, which held 5 weeks of hearings, then 10 consecutive days of careful consideration of the matter, I should express myself from my own personal viewpoint on the impressions made on me by this whole study, and especially to reflect the impressions I received during a trip to Europe last summer, when I had a chance to make some personal observation of conditions in Europe, and the possible impact of those conditions on the legislative proposal which is now before the Senate.

Mr. President, in the light of the masterly presentation by the chairman of the Foreign Relations Committee, the Senator from Michigan [Mr. VANDENBERG], in outlining the bill, and his elucidation of the points raised by the bill, it is not my purpose to cover that phase of the subject at all. I do hope to cover some of the controversial aspects, and

to reflect in my remarks some of my own personal observations and some of the reasons that have brought me to a very deep conviction to support the legislation.

First of all let me state briefly that much of the feeling I have, which is very deep within me, was developed during my trip abroad last summer. I can say that I had an experience that many of the others who went abroad did not have, because I not only was privileged to visit the countries we are discussing now, the 16 countries of western Europe, but the committee of which I had the honor to be chairman visited the curtain countries, the so-called satellite countries, where we saw first-hand the slow growth of the disease which we so much fear may now envelop Europe.

When I arrived home from that trip abroad—and as I said, we covered all the curtain countries, except Russia itself and Albania—I made a statement which I shall read again into the RECORD, because I was charged with being an exaggerationist, if that is a proper word; I was charged with being a warmonger, a scaremonger, of raising ghosts that did not exist. I simply want to reread the statement I then made with the fresh impressions of the things I had seen, and ask my colleagues to compare those fresh expressions of last October with what has happened within a few days in Czechoslovakia and Finland. My statement at that time was very brief. It is as follows:

The United States is facing the most challenging crisis of its entire history. We are the bulwark of freedom to whom the world looks for leadership. Europe is in a state of almost complete economic collapse, with consequent despair. The threat to modern civilization cannot be exaggerated. It is here and now. The Moscow policy is to divide and then absorb. Communism feeds on famine, cold, and despair. And the end is human slavery.

The trip of our committee to the capitals of Europe has revealed the facts of the situation and the issue. We visited the satellite countries and those still struggling to survive. The pattern is the same everywhere. Freedom is being treacherously destroyed. The police state is emerging with a totalitarianism that surpasses the nazism of Hitler. Freedom-loving men who have opposed have been and are being liquidated.

Mr. President, we saw it with our own eyes in those countries while we were there.

America and the remaining free nations of the world must decide and now. Time is running against the fundamental freedoms and the sanctity of the individual man.

If America withdraws now it means the immediate absorption of Europe by communism, controlled and directed by a small well-organized minority in Moscow, which has enslaved the Russian people and now seeks to enslave the entire world.

Our alternative is difficult, but must be faced. We have the responsibility to march with the United Nations in bringing the world to freedom and peace. We must act with the United Nations and now.

Mr. President, I submit that that was not an exaggerated statement. We have seen what has happened since then—Czechoslovakia and Finland and the other liquidations that have occurred since our return. Mihailovich in Yugo-

slavia, Mihal in Rumania, Petkov murdered in Bulgaria, and now the liquidation of Mr. Benes in Czechoslovakia. I cannot express adequately my deep feeling of concern over the terrible issues that face us.

But anyone who has seen this naturally asks himself, What can be done about it? Are there any different forces that we have to choose from? I have tried to sum up merely a few of the possibilities.

The first one that occurs, of course, is that in the light of the experience we have had, in the light of the vast billions of dollars we have spent in an effort to help Europe in her despairing condition, to give relief to Europe, we might withdraw now and say that we have done all we can to help Europe to her feet. I do not think I need to argue that extreme isolationist position. Not one of my colleagues takes that position. Perhaps there may be some who do, but I have not heard of any who do. To take such a position is to my mind simply unthinkable. So I pass on further.

We might suggest that we could help develop private industry by getting the western European nations back on their feet without the need of making any vast commitments ourselves. I have explored such a possibility; our committee explored it. The persons I talked to in England, France, and other countries were thinking in terms of such an alternative. But any superficial examination of the immensity of the problem makes it clear that mere private trade could not possibly handle this job. The dollar issue alone, which has been talked about so much, would come right to the front, and without some stabilizing proceedings, some cooperative proceedings, some attempt to get together, such as contemplated in the pending bill, the problem of dollars could not be solved. I do not think I need elaborate further that point.

The next thought is that we might use armed force to maintain order in Europe and prevent further Communist aggression. This might take the form either of unilateral action by the United States—and nobody would think of contemplating that, even though we have the resources, the so-called atomic bomb—or some form of joint action by the United Nations. In the last few days that matter has been discussed here on the floor. So far as I am concerned, I have felt that at the present juncture, enthusiastic as I am for the whole United Nations program, and strongly as I support it, this is not the moment of time when we can bring about a reorganization of the United Nations set-up with any hope of action in adequate time to be successful.

The subject is far too large to try and settle it by amendments on the floor of the Senate. I must say that with due respect to my distinguished colleague from Minnesota [Mr. BALL], for whom I have the highest regard. I share many of the feelings he has, and his eagerness to see something more effective done through the United Nations; but that is not within our province here. I have the greatest respect for the views of my colleagues who try to work out such a

program as that, but, to use a slang expression, I feel it is not "in the cards."

So the difference I want to bring out is the difference between, on the one hand, a completely isolationist position, and, on the other hand, the use of force, which would bring on World War III at once.

Contrast those two possibilities with what has been the development of the so-called rehabilitation program which is the subject of the pending legislation. I am thinking in terms of an intelligent, positive, forward-looking program to reconstruct the countries of western Europe.

I do not believe my thinking is different from that of anyone else. I have talked to many persons about the matter. I talked to Secretary Marshall shortly after he had made his famous address at Harvard. He reviewed to me, I think, the very grounds I have just tried to go over as to what the alternatives were in this difficult situation. He pointed out that what he meant to say at Harvard—and I hope I am quoting him correctly—was simply this: "We have spent billions of dollars in trying to help Europe since the end of the war. We cannot go on doing that indefinitely. We shall come to the end of our capacity to feed people and furnish relief. There is only one hope for the world, and that is for the world to get back on its own feet."

Therefore his logical conclusion was that the United States would be definitely interested in any attempt by Europe to get back on its own feet and become self-supporting again. In the process of doing so, we would be interested to talk business with them.

That is all I find in the Marshall statement. I think it is a perfectly natural statement. I feel confident that the Secretary did not feel, when he made it, that it was going to be a "shot heard round the world." It was; and it is an encouraging thing that it was. It meant that those people saw that what Secretary Marshall said was true. They received a "shot in the arm" at that moment from the knowledge that the United States would be there to do something about it, if they were able to get together and present a program which would offer some hope of bringing them out of their difficulties. That was the background of the CEEC plan which was evolved in Paris by the 16 nations.

Secretary Marshall did not limit his proposal to any special nations. It was an over-all proposal for the rehabilitation of Europe. Russia was included. The countries now satellites of Russia were included. He intended to have the whole of Europe together in this plan, in which we have been interested to participate. Unfortunately Russia misconstrued the proposal and tried to misrepresent our motives, and withdrew. The satellite countries also withdrew.

But there was a group of countries which did meet in Paris, and courageously presented a program after careful study, in a very brief period of 10 weeks, indicating what the resources of their countries were, and what their needs might be for rehabilitation, and suggest-

ing what kind of aid they felt they must have from us, because we were the only country to which they could look for such a rehabilitation program.

I look upon that accomplishment as a miracle. I was abroad when it happened. I was in Paris when the group was meeting. Before I sailed for America I talked with Ambassador Caffrey and Ambassador Douglas in London. They told me about the conference, and the high spots of the CEEC report. I read the report with the greatest interest. Anyone interested in the subject would receive an enormous lift from the spirit of the report, the evidence of co-operation, the evidence of willingness on the part of those countries to merge their own differences, to give up their own private advantages for the common good, in the expectation and hope that we would work with them to bring about their salvation. So the report came to us.

The logical question, when such a report comes to us, is what to do with it. Not one of us is competent alone—the distinguished chairman of the Committee on Foreign Relations would be competent if anyone would be—to make a study of the problem. Yet he would admit that none of us alone is competent to make a complete study. The thing to do was to get the best expert advice we could obtain. Our committee alone was not competent to do it; but through the leadership of the Senator from Michigan we asked that certain committees be set up to study the problem, to determine what our resources were, and to see if the United States could afford to participate in a plan which would at least give promise of doing something to put those nations back on their feet.

First we had the Krug report, which was a perfectly natural report, by the Secretary of the Interior, whose department has jurisdiction over our natural resources. Then we had the so-called Nourse report, from a committee headed by Dr. Nourse and consisting of a group of economic advisers to the President.

Both those reports might be looked upon as administration reports, and therefore might be subject to some suspicion that because the administration favored this legislation, possibly those reports were tinged in favor of the legislation to be proposed. So it was suggested that a completely impartial committee be created, which had nothing to do with the administration. It was set up at the invitation of the administration. Secretary Harriman, of the Commerce Department, was asked to set it up. It was to be composed of businessmen, representatives of labor, and men in the field of economics, who were to make a completely independent report, not in any way influenced by the other reports which had been made. The committee was to study the CEEC report, which had come from Paris, and check up on our resources, as well as upon its own sources of information. In a moment I shall point out who the members of that committee were.

I think it is significant that this kind of a committee was asked to do the job,

in order to give the Foreign Relations Committee the best expert advice we could get anywhere in the country, and advise us as to the practicability of the plan. So we have the Harriman report.

This report has been the keystone of my own study. I have not read it all, because it is too long. However, the way in which the report was made, and the importance of the men who participated in it, carry so much weight in my mind that I feel that every Member of the Senate should realize that we were getting the very best expert advice we could get in order to be on sound ground in advocating such a program.

It is worth taking a little time to point out the approach to this question. Again I wish to thank our chairman, the Senator from Michigan, for having seen the importance of this kind of an approach to the problem, comparing the figures of an independent, objective committee of American citizens, composed of members from all walks of life, with the figures which had been compiled by the Administration under the leadership of the Secretary of State.

Mr. President, I shall read into the RECORD the names of some of the members of the committee and the institutions with which they were connected. Later I shall ask that the entire membership list of the committee be printed in the RECORD, in order that it may be available, and so that Senators may see the type of men who studied the problem.

I point out that among the members of that committee were the presidents and heads of various important industries, as well as representatives of both the CIO and the American Federation of Labor. Two of the leading men in those two labor groups were members of the committee, James B. Carey, secretary-treasurer of the CIO, and George Meany, secretary-treasurer of the American Federation of Labor.

Another member of the committee was Harold G. Moulton, president of the Brookings Institution of Washington, which has access to a great mass of data and studies over the years relating to economic conditions in this country.

Another member was Owen D. Young, honorary chairman of the board of directors of the General Electric Co. This was the same Owen D. Young who, after World War I, was so active in the so-called Young plan for reparations from Germany. He is thoroughly familiar with the foreign situation, and was very active in developing the report.

At this point in my remarks I ask that the entire list of names of members of the committee be printed in the RECORD.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

THE PRESIDENT'S COMMITTEE ON FOREIGN AID

The members of the President's Committee on Foreign Aid, and their affiliations, are as follows:

Hiland Batcheller, president, Allegheny-Ludlum Steel Corp., Pittsburgh, Pa.

Robert Earle Buchanan, dean, graduate college, Iowa State College, Ames, Iowa.

W. Randolph Burgess, vice chairman, National City Bank of New York, New York, N. Y.

James B. Carey, secretary-treasurer, CIO, Washington, D. C.

John L. Collyer, president, B. F. Goodrich Co., Akron, Ohio.

Granville Conway, president, Cosmopolitan Shipping Co., Inc., New York, N. Y.

Melville F. Coolbaugh, Colorado School of Mines, Golden, Colo.

Chester C. Davis, president, Federal Reserve Bank, St. Louis, Mo.

R. R. Deupree, president, Procter & Gamble Co., Cincinnati, Ohio.

Paul G. Hoffman, president, Studebaker Corp., South Bend, Ind.

Calvin B. Hoover, dean, graduate school, Duke University, Durham, N. C.

Robert Koenig, president, Ayshire Collieries Co., Indianapolis, Ind.

Robert M. La Follette, Jr., Washington, D. C.

Edward S. Mason, dean, School of Public Administration, Harvard University, Cambridge, Mass.

George Meany, secretary-treasurer, American Federation of Labor, Washington, D. C.

Harold G. Moulton, president, The Brookings Institution, Washington, D. C.

William I. Myers, dean, College of Agriculture, Cornell University, Ithaca, N. Y.

Robert Gordon Sprout, president, University of California, Berkeley, Calif.

Owen D. Young, honorary chairman of the board of directors, General Electric Co., Van Hornesville, N. Y.

SUBCOMMITTEES AND THEIR CHAIRMEN

Capital and durable goods, Hiland Batcheller.

Consumer goods, John L. Collyer.

Development and administrative and drafting, Robert M. La Follette.

Economic and financial analysis, Owen D. Young.

Food resources, Chester C. Davis.

Manpower, Paul G. Hoffman.

Mineral resources, Robert Koenig.

Transportation, Granville Conway.

EXECUTIVE STAFF OF THE COMMITTEE

Richard M. Bissell, Jr., executive secretary.

Max F. Millikan, William W. Remington,

Herman W. Liebert, assistant executive secretaries.

John Davenport, Hector Prud'homme, Sam VanHyning, Herbert Hughes, Martha Davis.

SUBCOMMITTEE SECRETARIES

Richard M. Bissell, Jr., economic and financial analysis.

Kenneth R. Davis, consumer goods.

Adrian S. Fisher, development and administration.

Karl A. Fox, food resources.

A. Ford Hinrichs, manpower.

Herman W. Liebert, drafting.

S. Morris Livingston, capital and durable goods.

Max F. Millikan, transportation.

Richard Mote, mineral resources.

Mr. SMITH. Mr. President, in the list was our former colleague, Senator Robert M. La Follette, who was active all the way through. I wish to pay tribute to him for the wonderful testimony he gave our committee in reporting to us.

To continue my emphasis of this report and its approach, because I think it is important to our colleagues to understand the way this question was looked into, to show how much more effectively it was studied than if we had tried to do these things ourselves, a group of experts worked for many weeks on this problem. They divided their work among a number of groups, so that every phase could be covered.

I should like to read the opening paragraphs of the report, to point out the approach which was made to the study when the committee undertook it. I quote from page 3 of the summary at the very beginning of the report:

The President's Committee on Foreign Aid was asked to determine the limits within which the United States could safely and wisely extend aid to western Europe. It has approached this assignment in a spirit of realism.

We believe that the future of western Europe lies very much in its own hands. No amount of outside aid, however generous, can by itself restore to health the economies of the 16 nations which met at Paris in July. Except in western Germany, where the United States has direct governmental responsibility, the success of any aid program depends ultimately on hard work and straight thinking by the people and the governments of the European nations themselves. The 16 nations and western Germany comprise over 270,000,000 men and women. They possess great agricultural and industrial resources. Even in its present depressed state the production of this area is vastly greater than any aid which this country can provide. Such aid must be viewed not as a means of supporting Europe, but as a spark which can fire the engine.

Mr. President, I have read that in order to show the spirit of the approach of the so-called Harriman committee, which was reflected very promptly to our Foreign Relations Committee, and which all of us felt. I wish to read the last statement again:

Such aid must be viewed not as a means of supporting Europe—

In other words, Mr. President, this is not a relief program—
but as a spark which can fire the engine.

There is another passage which I wish to read from this very interesting and important report. On page 11 of the summary, which is to be found at the beginning of the report, the following statement appears:

VI. SUMMARY

The basic conclusions of the President's Committee on Foreign Aid—

That is, the Harriman committee—may be summarized as follows:

1. The hope of western Europe depends primarily on the industry and straight thinking of its own people.

2. The United States has a vital interest—humanitarian, economic, strategic, and political—in helping the participating countries to achieve economic recovery.

3. The aid which the United States gives will impose definite sacrifices on this country.

Mr. President, the third point is a frank recognition that this program will not amount to a mere giving of largesse out of our surplus, but that probably in order to bring this about we shall have to tighten our belts.

I read further:

4. The magnitude of western Europe's deficit with the American Continent in 1948 will be of the order of \$7,000,000,000, but when all possibilities of financing are taken into consideration, the approximate need for appropriations, past and future, to cover the calendar year of 1948 may be of the order of \$5,750,000,000.

Mr. President, I may say that in light of the delay in enacting the legislation, I think all of us recognize that the year in question would not be the calendar year 1948—in other words, that would not be the year to which these figures would apply—but, rather, it would be the year beginning April 1, 1948, and running through March 31, 1949.

I read further from the summary:

5. The extension of such aid, now or in the future, calls for anti-inflationary fiscal policies on the part of this country, and a new agency to administer the aid extended.

Mr. President, I mention those points, as covered by the summary of the Harriman committee's basic conclusions, to show the approach they made to the subject and how nearly it coincides with the conclusions of our committee, which of course relied largely on this and other evidence, as so ably presented by the Senator from Michigan in his opening remarks.

I wish to read one other statement from the summary to which I have referred, which I think is so important in connection without study of the subject before us. On page 35 we find a summary of essential recovery conditions in Europe, which indicates what this committee felt had to be required of these foreign countries in order that they might recover. Beginning at about the middle of page 35, I read the following:

It is the judgment of this committee that European recovery can be rapid provided that the essential conditions determining effective aid are met. In summary these are:

1. The central objective must always be to make Europe not independent of the rest of the world but self-sustaining with relation to the rest of the world.

Mr. President, I cannot emphasize that point too strongly, because it had a great bearing on the deliberations of our committee—in other words, that we should not attempt to make Europe independent of the rest of the world, but should attempt to make it self-sustaining with relation to the rest of the world. In short, the committee contemplated cooperation by each beneficiary country not only with the rest of Europe, but with ourselves and the rest of the world.

I read further:

2. American aid should be on a decreasing scale. A permanent underwriting of European deficits by the United States Government cannot be contemplated.

Mr. President, it has been charged many times by those who have questioned the wisdom of this program that by adopting it we would simply be putting ourselves in a position where we would go on indefinitely paying the deficits of foreign countries. But the Harriman committee says here, and this was our own view, in the Senate committee:

A permanent underwriting of European deficits by the United States Government cannot be contemplated. It is clear that as the aid program tapers off it will be imperative for the natural forces of private financing to resume their normal function and to restore the long-standing relationships between European and United States enterprises.

The report definitely recognizes, Mr. President, the importance of going back to the normal channels of trade.

I read further:

8. It should be realized that the conditions which the world confronts today are the very reverse of those obtaining in the thirties and call for very different policies.

The participating countries, like most of the rest of the world, are in the grip of major inflation. Every added economic burden raises the pressure. The committee has seen no evidence that the participating countries are seeking too high a standard of living.

Mr. President, it has been charged in some quarters that we are trying to raise the standard of living of the people of the beneficiary countries beyond what they had before the war. That simply is not true. We cannot do it. We are simply trying to help them establish themselves on a self-sustaining basis, generally on the basis of their former standard of living.

I continue to read:

However, it must be emphasized that the attempt to accomplish too much capital formation, public or private, too soon could defeat the purpose of the program.

4. While Europe indubitably needs a large injection of working capital in the form of dollars, the consistent aim should be not only to accomplish recovery but to create the kind of national and international framework wherein such recovery can be sustained by the work and effort of individuals. Monetary and exchange stabilization, allowing for the gradual relaxation of hampering controls, are essentials to this end.

5. If the above conditions can be fulfilled, the United States should contribute generously but wisely to the program set forth at Paris.

Mr. President, those are the observations of the Harriman committee in its very valuable report.

I should like next briefly to point out the scope of this report, because many persons have said to me, "How could you possibly get the necessary information to enable you and the committee to make a favorable report recommending the program?" Mr. President, it can readily be seen merely from the table of contents that the Harriman committee report covers the whole field of the European recovery program, what its nature is, the requirements for and availabilities of specific goods, the magnitude of the program, the financing of European requirements, the economic impact on the United States, and then a chapter on the administration of the program.

In addition to that, there are special reports on individual commodities. I wish the Senator from Nebraska [Mr. WHERRY] were now in the Chamber, because he has raised questions about some commodities which might be in short supply. Let me point out that part 3 contains a series of special reports on every commodity that will be involved in this entire program. I shall not read the headings of all the special reports, but I point out that they are on such subjects as the special position of the bizon in Germany, and such items as food resources, agricultural machinery, and iron and steel. The last-mentioned subject has been discussed at great length here, Mr. President. So we should note that included in the Harriman report is a special, full report on iron and steel, not only as to Europe, but as to the entire world.

The titles of other of the special reports are as follows: "Petroleum and petroleum equipment"—

Mr. President, I point out that in our committee we had extended discussions in regard to petroleum and whether we should prohibit exports of petroleum, and should require Europe to obtain petroleum from the Near East, for example, so as not to reduce the supplies of petroleum available to our own people. I commend Senators for raising these various questions, but I suggest that every one of them has been carefully studied in the course of the report, and then definite conclusions carefully arrived at.

I simply refer to the report and point out the very careful way in which the subject has been studied from the beginning, starting with General Marshall's proposal, and following through with the report of the Paris meeting, and the reference of the proposal to the United States, and finally the Harriman report, which reflects the judgment of all types and phases of American life—business, labor, the educational field, economic experts, and all those who are best qualified to deal with a matter of this kind.

So, Mr. President, I find myself more and more—I do not like to use the word "enthusiastic," because the situation is too serious to speak quite in that way—but more and more convinced of the soundness of what we are trying to do. I believe that it was proper to try to do as we are doing now, and to submit to the Senate in legislative form the result of months of study, the result of the observation of the creeping paralysis in Europe due to the spread of communism, the result of our thinking on the crisis that faces the world and especially that faces America. I believe it was appropriate to present it in a form whereby we can say practically to the American people, "We have given you the best we have got in studying this problem and we are asking you to have faith and to accept this calculated risk"—that is the expression which has been used—"as the wisest of the many alternatives facing us in the present situation."

Let me say that I agree with those who say we can make no guaranties. I asked one of the ministry in England when I was there whether, from his knowledge of the Marshall plan, he felt there could be any guaranty, for example, that England could be restored. He said, "No guaranty, but it is the only hope that she sees ahead." In other quarters we have raised the same question. There can be no guaranty. It would be foolish to say there could be. The chairman of the committee was very careful to say there could be no guaranty. But it is, as has been stated, a calculated risk, which, in my humble judgment, we should be prepared to take.

But that is the material economic side. To my mind, the question goes far deeper than mere economic or material aid. The most serious problem we face in Europe is the rapid moral deterioration of the people. We have a problem affecting some 270,000,000 people who have gone through the agonies of war, the destruction of their property, malnutrition, despair, and complete destruction of what we have come to consider the

basic spiritual values of life. I did not see anybody starving to death. I have been asked, "Did you see anybody starving to death?" I have replied, "No, I saw nobody starving to death." But I scarcely went anywhere, and especially in the countries in which we are so profoundly interested at the present time, that I did not see evidences of malnutrition and of something lacking in the snap and vigor that people have when they are on their toes and ready to go ahead with hope as distinguished from despair. They were living in a condition between hope and despair, waiting to see what might be done, what might be the result.

I believe it cannot be denied that the action we took last fall in the special session granting interim aid afforded a great impetus to those people to renew their courage, and, in France and Italy especially, to resist the surge of communism that might have overtaken them if we had not given them temporary aid to tide them over until this more extended program could be considered. With our help they are willing to pool their own resources and to undertake targets of production to put themselves back on their feet and to become self-sustaining once more.

I think all of us realize, as suggested in the report of the committee, and as the Senator from Michigan brought out very clearly, the wonderful progress that has been made by the people themselves, since apparently it was evident that some sort of rehabilitation program would be approved by the United States. What they have received is what the doctors call "a shot in the arm." We are now charged with the whole problem of implementing that "shot in the arm" through practical action.

I need not review the bill, because that has been done in great detail, but the bill contains safeguards which were carefully thought out, carefully discussed with every witness who appeared. I do not think it is any disparagement of the present administration or of the Secretary of State to say that we completely rewrote the bill that came to us from the administration. We completely changed the general approach to the whole subject of rehabilitation from what was first presented to us as the State Department's proposal to what we finally felt was wise, in the light of our conference with various members of the Cabinet and with the various experts appearing before us who were concerned with the bill, to protect us against the dangers which might attend a matter of this kind. We set up a separate administration. We provided for periodic reviews of progress, so that we need not continue the plan one moment if the conditions are not lived up to and if the progress is not made that the whole program contemplates. We provided for what has been called a congressional watchdog committee, so that Congress will be continuously in touch with the operations of the administrator who is to be appointed under the bill, and can be kept constantly advised. We would be advised well in advance before we are called upon next year for a second appropriation under the bill. Moreover, every protection has been given to the American economy.

I have heard a number of questions raised in the debate on the floor. I shall not deal with them all, because they have all been very well answered. I may mention only a few of them. Some question has been raised about the relationship between the Administrator in the United States and the so-called roving ambassador abroad. I can say in that connection in passing that it was necessary to invent a certain type of machinery to take care of this program, and it seemed wise to provide for an independent administrator who would of course cooperate with the State Department, but who, on an economic basis as distinguished from a political basis, would be independent of that Department, and of diplomatic procedures. The bill provides for a roving ambassador abroad, representing both the economic side and the State Department dealing diplomatically with this group of nations.

The question was raised why we provided a 4-year authorization. Speaking for myself, I have never had any difficulty with that problem, because it seemed to me if we were thinking in terms of 4 years in which to accomplish the job, we should give indications at the very beginning that without committing ourselves as to how much we will expend, we are prepared to go through with it, and continue it until the time comes when it should be terminated.

The 4-year authorization seems to be the natural and proper action for the Congress to take. I cannot conceive of our making the proper approach in the matter by saying that we will adopt the program for 1 year and see what will happen. I think we must consider that this is a program looking to putting people back on their feet on a self-sustaining basis. It is going to require more than 1 year—we all know that to be so—and we are simply proposing by this bill to authorize the continuance of the program for the period of time we think will be necessary in order to accomplish what we want to accomplish. It does not, of course, fix an over-all appropriation for the entire period. All agree that we cannot see further ahead than 12 months, and, therefore, so far as appropriations are concerned, it is a 1-year proposition. I intend to discuss that in just a moment.

Other questions have been raised, such as limitations on the exportation of specific commodities. That question is naturally raised. Are we going to allow commodities to be exported which are in short supply here and which are needed for our own economy? Every safeguard has been provided in the bill to cover conditions of that kind. The export controls will still be maintained by the Department of Commerce, working closely with the Administrator, and the entire relation of the foreign program to our own economy will be constantly kept in sight. Frankly, I do not feel any concern on that phase of the problem.

There has been discussion of the question of dismantling plants in Germany. I think that question was raised by the Senator from Nebraska [Mr. WHERRY]. He raised the question very naturally. I had the same difficulty. In the hearings there was extended discussion of

whether, in the light of the adoption of this program, so far as plants which had not been dismantled were concerned, it would not be possible to consider whether it would not be better to leave them in Germany rather than remove them to one of the other countries. That is left to be worked out with the different countries because, under the reparations agreement, they are entitled to have certain of the plants transferred. I think that matter is in splendid hands. I think it is being dealt with in the statesmanlike manner that it deserves. I do not share the view that the Government is open to attack on that score, as some have charged. I think I was one of the most critical persons with regard to that particular matter.

Mr. President, I desire now to advert briefly to one of the problems that troubles everybody, and which troubled me. I refer to the amount authorized in the bill for the beginning of the operation of the plan. I think we have all conceded pretty generally that the measure, possibly with some amendments, will be passed and that the debate will be regarding the amount involved.

The original bill provided for a period of 15 months and for \$6,800,000,000 as the ceiling to be expended during that period. For reasons which I believe were eminently sound, the committee, under the leadership of the senior Senator from Michigan, decided that instead of trying a 15-month period we should try a 12-month period, because that would bring us to a check-up period early next year before the question of the next appropriation will come up. So we limited our operations in the first period to 12 months with a ceiling figure of \$5,300,000,000 for that period. That figure corresponds practically with the \$6,800,000,000 suggested for 15 months. We thought it was wiser to terminate the first experiment at the end of 12 months with the smaller figure. The Harriman report contained a corresponding figure of \$5,750,000,000 which I am advised included some of the expense of the German occupation.

The suggestion has been made that the figures are too high and should be reduced. My good friend, ex-President Hoover, felt we could get larger credits from countries in this hemisphere than were allowed in our estimates, and he thought there might be a saving in that respect. I checked it up as carefully as I could and discussed it with members of the State Department and members of other departments in Washington. I was especially impressed with the testimony of President McCloy of the International Bank in which he stated that, rather than our figure being too large, it is probably too small. That was an interesting bit of testimony, because the International Bank made an entirely separate study of the resources of all the countries of the world in connection with putting itself in position to extend sound credits to them. We were impressed with the fact that the International Bank had made a study from a different angle because of the situation, and therefore the committee asked Mr. McCloy if he would give a statement as to whether he thought the preliminary figures were too high. In a letter which he addressed to the chairman of the committee, under

date of January 27, 1948, he made these two significant statements, after pointing out that, if anything, the Harriman figures were too low:

I believe it is fair to say that, considering the factors discussed in this letter—

And he has gone over the different factors having to do with making up the figures—

considering the factors discussed in this letter and the objectives sought to be achieved—i. e., helping Europe to become self-supporting at a standard of life somewhat higher than that prevailing today though below that of prewar—the amount recommended for appropriation by the administration is conservative.

In another part of the same letter he uses this language, after referring to what he calls annex 3 containing detailed figures in arriving at his final estimates:

Analysis of annex III indicates the salient points of differences between the administration's figures and those of the bank, and the reasons why, in the opinion of the bank's staff, the proposed \$6,800,000,000 appropriation recommended by the administration for the first 15 months of the program, far from being extravagant, provides a rather tight fit. A brief discussion of the more important figures in annex III may, therefore, be of value.

I have referred to that because I think no one has anything but the highest respect for the ability of Mr. McCloy and the efficiency with which he is operating the International Bank, and no one can possibly imagine any person being in a better position than he to get the best possible evidence with regard to the economic resources of the countries with which the bank has to deal. So I feel that his statement suggesting that these figures, rather than being too high, are, if anything, too conservative, is of great importance. It would suggest that if we are to revise the figures they should be revised upward rather than downward. The committee has felt that while the figure we have arrived at comes very close to the figures suggested by the studies of the Government, by the studies of the independent Harriman committee, and of Mr. McCloy of the International Bank, they all come so close together that we are on sound ground in suggesting a ceiling of \$5,300,000,000 for the first period, and that we should not go below that figure. I am not saying that all the money has to be spent, but that is the ceiling which we estimate is the need. If Mr. Hoover is correct, any administrator appointed would have the responsibility of trying to get from the Western Hemisphere countries further credits. I am advised that Canada, because of her dollar position, has gone as far as she can in extending credits. I am advised that while Argentina has had large dollar credits in this country for a number of years, at this time she is down to a point where she is in great difficulty because of her dollar position. But it would not be possible for us arbitrarily to say to those countries, "You must extend further credits if you are to be a part of the plan." Any administrator dealing prop-

erly with the problem should be given sufficient leeway so that he will not be handicapped in his work. If we do anything less than that we had better do nothing. If this plan shall fail because we have not provided adequate leeway, it seems to me we are very culpable in connection with the responsibility which we have. We do not have to spend all of this amount. We shall see after the first year what the credit situation is. We shall see what loans may be repayable as distinguished from mere grants.

I urge on my colleagues not to think of cutting down the figure \$5,300,000,000, which we have arrived at so carefully and as to which we have received the best expert advice we could obtain to put the plan on a sound economic basis as a start. Let us gain experience from that.

So, Mr. President, I shall now make a few over-all conclusions from my own observation of the situation. I am speaking now of the kind of considerations which have induced me to become a wholehearted supporter of the plan.

The threatening events in the world have left in my mind some indelible impressions and a challenge, as I see it, to the United States of America, to accept a responsibility that it has never had before in its entire history. That responsibility comes to us because we have emerged from the war as the strongest nation in the world and as the only nation left that can possibly give aid in substantial amounts to help restore what might otherwise be a dying civilization. So I plead for a sound, positive, aggressive foreign-aid policy that must be clearly and constantly explained to the world. It may be definitely related to the very survival of the United Nations Organization.

In approaching this matter I see grave danger of mistakes on our part that might well spell disaster. Certainly if we contributed of our wealth to continue in existence an obsolete European structure, which has been the cause of two world wars within 25 years, our contributions would be wasted. Consequently, we are confronted with the fact that the mere giving of dollars or even of commodities is not sufficient to do the creative job that must be done. We must make it clear to the world that what we are trying to do is to help people help themselves, people who have voluntarily proposed to merge their political and economic differences in order that they may mutually recover from the terrible inertia and chaos that have overcome them. We all know that the small compartments of Europe for hundreds of years have made difficulties that prevented human understanding between people by which they could move forward. We have solved this particular problem in America by our economic unity and our political safeguards. Our experience may exert an ultimate influence on Europe, or at least a federation of European states which will be responsible.

The distinguished Senator from Arkansas discussed that point yesterday, and he felt that we should make some

suggestions along that line, but our committee felt we could not precipitate that, that we could not make it a condition to our participating in the program.

The problems, of course, are the trade barriers, the currency differences, the racial jealousies and prejudices, and all those things that tend to drive people apart rather than bring them together.

Now we have a gleam of hope in the amazing accomplishment of the Paris Conference where these divided peoples have adopted goals for their respective accomplishments as conditions of their further aid from us. And let me add here, and emphasize especially, the vital importance of including western Germany, and by this I mean the bizonal areas, and also I hope soon the French zone, as a part of this entire program.

Mr. FERGUSON. Mr. President—

The PRESIDING OFFICER (Mr. Ives in the chair). Does the Senator from New Jersey yield to the Senator from Michigan?

Mr. SMITH. I yield.

Mr. FERGUSON. When the Senator states that western Germany would be united in the program of the 16 countries, does he have in mind the possibility, or even the probability, that the eastern part of Germany may always remain in the hands of the Soviet Government?

Mr. SMITH. I certainly hope not. I hope the time will come when we may organize all of Europe.

Mr. FERGUSON. What is the Senator's opinion?

Mr. SMITH. My opinion at present is that if Russia and eastern Germany and the satellite countries do not come into the plan, we are going ahead anyway. This is our answer, and is what we are trying to do. We are going to try to organize western Europe in this cooperative movement in order to keep free people on their own feet, taking care of themselves, and building their own civilization.

Mr. FERGUSON. Is there any thought in the able Senator's mind that the eastern part of Germany, and the land east of the iron curtain, will in any way come into the plan?

Mr. SMITH. I think inevitably the channels of trade move back and forth, and I do not believe there will be a curtain between the new group I am speaking of, the participating countries, and the bread basket of Europe, as it has been called, which is behind the iron curtain. It is natural for trade to move back and forth. I believe it will happen, even if there is some friction. Once this plan gets under way and once Russia realizes that we mean business, and that we mean to organize peoples so that civilization can move forward, I think their attitude will change.

Mr. FERGUSON. Will there be trade of such nature as to result in unity?

Mr. SMITH. The countries will not become a unit immediately, probably.

Mr. FERGUSON. Then the able Senator does have some hope that Russia's attitude will be changed?

Mr. SMITH. I do, indeed.

Mr. FERGUSON. Does the Senator feel that will be in the near future?

Mr. SMITH. I think that if this plan is inaugurated and operates successfully during the first 12 months, the attitude of Russia may well be changed.

Mr. FERGUSON. Will the Senator suggest the evidence upon which he bases his opinion?

Mr. SMITH. That is very difficult to state, because at the present moment it looks just the other way, but I suppose hope springs eternal, and I have a feeling of optimism within me, and believe that what we need to do is to arouse the spirit of enthusiasm and energy in the area in Europe to which I am pointing on the map, which is the area of the intelligentsia of Europe, the ability of Europe, and get them moving. Hundreds of people in that area would want to see the plan successful, because it would mean their ultimate liberation.

Mr. FERGUSON. The Senator's feeling, then, is based more on hope than on evidence?

Mr. SMITH. Of course, it could not be based on evidence, because the evidence at the moment tends to show that that part of the world is being lined up against the plan, but it is our calculated opinion that the plan will succeed.

Mr. JOHNSON of Colorado. Mr. President, will the Senator from New Jersey yield?

Mr. SMITH. I yield to the Senator from Colorado.

Mr. JOHNSON of Colorado. Along the same line, and for my own information, I should like to know what the situation with respect to Austria is. I notice that on the map Austria is shown as one of the recipient nations. Is not part of Austria occupied by the Russian Army?

Mr. SMITH. Yes. There is a Russian zone, an American zone, a British zone, and a French zone.

Mr. JOHNSON of Colorado. Will our relief go to that part of Austria occupied by the Russian Army?

Mr. SMITH. No; I do not so understand. I understand it will go to the part occupied by the participating nations—England, France, and the United States.

Mr. JOHNSON of Colorado. Does the Senator know where the line between the Russian occupation and the Allied occupation is drawn?

Mr. SMITH. I cannot point it out on the map. I was there last summer, but I cannot tell where the line is. Our part is toward the west, and the Russian part toward the east.

Mr. JOHNSON of Colorado. The Russians probably occupy the greater part of Austria, do they not?

Mr. SMITH. In territory?

Mr. JOHNSON of Colorado. In area; yes.

Mr. SMITH. I could not answer that question accurately. I do not know whether it is so or not.

Mr. JOHNSON of Colorado. I thank the Senator.

Mr. SMITH. I think we can find that out for the Senator, and I shall be glad to try to do so.

Mr. FERGUSON. Mr. President, will the Senator further yield?

Mr. SMITH. I yield.

Mr. FERGUSON. Speaking of Austria, does the Senator believe that if today we did not have an army of occupation in Austria it would become a satellite of Russia?

Mr. SMITH. No doubt. When I was in Austria, I talked to native Austrians, and they said, "We are praying that the Army of the United States will not leave here before the last Russian departs." These countries are militarily occupied because there is no Austrian treaty. If there were a treaty, all troops would withdraw. Because of the absence of a treaty, the Russians keep their hand in the pie.

Mr. FERGUSON. For the record, would the Senator state the countries where the Red army is located at the present time, where Russia has troops?

Mr. SMITH. Russia has troops in Bulgaria, in Rumania, in Hungary, and, of course, Tito has his troops in Yugoslavia. They are not Russian, they are Serbian, but they are under Russian control. I do not think they have any in Czechoslovakia.

Mr. FERGUSON. How many do they have in Austria?

Mr. SMITH. I cannot recall offhand. We can get that information. It is in the record.

Mr. VANDENBERG. Mr. President; I think the Red army is out of Bulgaria, under the terms of the treaty.

Mr. SMITH. That may be correct.

Mr. VANDENBERG. The language of the treaty is "to protect their lines of communication," and the fashion in which they protect them is somewhat fantastic in its magnitude.

Mr. FERGUSON. Do the terms of the agreement specify that we are entitled to know the number of troops the Russians have there protecting their so-called lines of communication?

Mr. SMITH. I shall have to ask the Senator from Michigan.

Mr. VANDENBERG. I do not recall whether there was anything in the treaty on the subject of information or not. I think the information should be available, however.

Mr. SMITH. I think I have seen the information, but I do not now recall just what it is.

Mr. HICKENLOOPER. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. HICKENLOOPER. I was going to suggest to the Senator from New Jersey that on the same trip he made last fall—and this is in answer to some question about the troops in Austria—I was in southern Austria, outside of Vienna, very close to the Yugoslav border, in the vicinity of the town of Klagenfurt, or just above it. That area is one of the main centers of the Red Army in Austria. So far as I can find, in most of these countries they have concentrated their headquarters and their troops in areas outside of the beaten path. We heard in Budapest and in Bucharest and in Warsaw this statement on a number of occasions made by taxi drivers or other

persons, "In the last 2 or 3 days, since the American delegation is in town, we do not see Russian troops on the streets." In other words, they had pulled their troops out of the main centers and had put them in the country. But they had centers of troop concentrations outside the main towns. I especially know that because I was stranded on a trip by automobile for 6 hours in Klagenfurt, which was the headquarters of the Russian Army in that region, but the troops did not appear in that town. They did not make an appearance in Vienna. But they were occupying the entire country of Austria.

I might call the Senator's attention to the fact that under the guise of maintaining the lines of communication between Russia and Austria, the occupied zone, the information I received was that Russia had taken that excuse completely to invest the various countries and had scattered her troops all over them. They did not merely maintain a channel of communication through a country, but they invested the whole country. The troops were scattered around in the small towns. There were thousands of Russian troops scattered throughout the countryside. What they did in maintaining, as they said, their lines of communications, reminds me of the story of the man in the north woods who bought a tract of timberland far back from the main road, but with no road leading to his tract. However, he had inserted in the contract a clause which gave him the right to cut enough timber between the main road and his tract, so as to make an access road to his timber, so he cut off a strip of timber a mile wide in order to get access to his own tract. The Russians have done something similar to that in the maintenance of their lines of communication in all the countries in which they have their troops.

The Senator from Michigan said a moment ago that he understood that under the terms of the treaty the Russian troops were out of Bulgaria. I think the treaty provided that they were to be out of Bulgaria by this time, but I believe the Russians are merely giving lip-service to that provision of the treaty. We were told in Bulgaria that the Russians had not removed their troops in any great numbers. In fact, we were told—how accurate the statement was I do not know—that they were conducting maneuvers in the general direction of the Greek border, and in the general direction of the Turkish border.

When we flew from Sofia to Istanbul the flight pattern we had to follow was down the valley between the two ranges of mountains, one being the Stara Planina and the other the Rhodope Mountains on the south. We had to fly down that valley corridor and well out into sea above Istanbul, and then turn south. We were not permitted to fly over the land in that area. The excuse which was made, whether accurate or not, was that the Russian Army troops in conjunction with the Bulgarian troops were holding maneuvers and activities of that sort in the general direction of Istanbul, and also near the Greek border.

Mr. VANDENBERG. Mr. President, may I ask the Senator what that date was, generally speaking?

Mr. HICKENLOOPER. About the first day of October of last year.

Mr. VANDENBERG. To be exactly accurate, the Bulgarian treaty became effective on September 15, and the Soviets had 90 days from that date totally to withdraw their troops. The 90 days having now expired, I anticipate that the Red army is out of Bulgaria.

Mr. HICKENLOOPER. I would not dispute that. I do not know. But at that time the Red troops were still reported to be there.

Mr. WATKINS. Mr. President, will the Senator from New Jersey yield?

Mr. SMITH. I yield.

Mr. WATKINS. I should like to inquire of either Senator with respect to the withdrawal of Russian troops, if we can pay any credence to the reports we read occasionally, that the Russian troops are still in the various countries in question, but they are not in uniform.

Mr. SMITH. Mr. President, I received information when I was in Rumania, Hungary, and Bulgaria from some of our embassy officials, and also from some local people, that the difference in the situation before a treaty was entered into and the situation after the treaty was entered into was that before the treaty was entered into the Russian troops would be in uniform, and after it was entered into they would be there, but out of uniform.

Mr. WATKINS. That is the information I have received.

Mr. SMITH. That was the information I received. It was hearsay, just as the Senator from Iowa said the information he received was. It was the statement made to us, however, and that that was what they expected. I was told that such a thing happened even in Austria. After the Austrian treaty the Russian soldiers were said to have remained in civilian clothes and were still carrying on.

Let me point out that the presence of troops in these countries has made it possible for the Communists to insist on their representation in what they call the coalition governments. That is the first step in their movement to infiltrate. They get control of the department of the interior first. By having control of the department of the interior they have control of the police, and when they obtain control of the police they control the next election. Then there will be another government. That is the pattern all the way down through every one of these countries. That is the very kind of thing we are talking about now.

Mr. WATKINS. It does not seem to make much difference whether a treaty exists or not.

Mr. SMITH. Apparently it does not make much difference if there is a treaty or not. It seemed to us that that was the pattern straight down the line, in Poland, Hungary, Czechoslovakia, Rumania, and, so far as we could observe, in Austria. We did not go to Yugoslavia or Albania. But the same sort of thing was moving down through the various eastern European countries, and, as we read in the newspapers, the Communists

are now trying to engulf Greece. We are trying to save Greece at the present moment. Senators can see by looking at the map what dangerous positions Greece and Turkey are in, being right next to this movement. We flew from Bulgaria over to Istanbul and up to Hungary, and back by way of Greece and Italy, so we got the feeling of this whole area behind the curtain, and what was going on there.

Mr. WATKINS. Am I to understand the Senator to say that in Austria the people have the feeling that if the American troops were withdrawn the Russians would take over?

Mr. SMITH. Definitely. That is a very strategic area. Senators can see its relation to Italy and western Germany. If the Communists can move in and take over Austria, the situation will be critical. Austria is a sort of small hub in the whole territory. On the east and to the north are Czechoslovakia, Poland, Hungary, Rumania, Yugoslavia, Bulgaria, Albania, Greece, and Turkey, and on the other side are western Germany, Switzerland, and Italy. Senators can readily see how strategic Austria is to the whole program.

Mr. WATKINS. In view of the fact that the Russians have kept their troops there, even though a treaty exists, it would be to the interest of our country and of Austria not to have a treaty for the time being.

Mr. SMITH. Mr. President, I did not feel so badly when that treaty was not signed, because if we moved our troops out of Austria I knew what would happen in that area. That is the personal feeling I had.

Mr. WATKINS. I had the same feeling with respect to Italy when the treaty with Italy was before this body for approval. I felt that we would be put at a disadvantage if we signed the treaty and withdrew our troops, because with Tito across the border in Yugoslavia, and the Russians close by, they would practically have control of Italy, and we would not be there even to protect it in any way.

Mr. SMITH. That danger exists. I saw our troops leave Italy. I voted for the ratification of that treaty. But the Senator has made a good point.

Mr. WATKINS. I voted against the treaty for the reason that by entering into the treaty it would mean we would leave Italy undefended, while trying to stop the advance of communism. We have spent \$400,000,000 in an effort to save Turkey and Greece, and to set up our line of communications, and then we moved our troops out of Italy, thus to that extent disarming Italy, so the Italians could not help themselves.

Mr. SMITH. For the moment I think the Italians are holding the fort. I think Italy will stay with us until the Marshall plan becomes effective.

Mr. WATKINS. The fact of the matter is that the President of the United States has served notice on the world to keep hands off of Italy.

Mr. SMITH. Yes.

Mr. WATKINS. That in itself is probably more effective than the use of money.

Mr. SMITH. Yes; and the statement applies also to Greece and Turkey.

Mr. President, I shall now continue my statement.

Mr. WHERRY. Mr. President, will the Senator yield for a question?

Mr. SMITH. I yield.

Mr. WHERRY. I am interested in the answer the Senator from New Jersey gave to the junior Senator from Michigan relative to what knowledge the Senator from New Jersey had that the economic program would accomplish the purposes for which it is intended. As I understood the answer of the Senator from New Jersey it was that it was only a hope.

Mr. SMITH. No; the Senator misunderstood the question. The question was, What evidence did I have that if this program was put into effect we would establish trade between eastern Europe and western Europe? That is what I said was the hope. I did not know. With respect to the other, I have much more than hope. I admit that it is a calculated risk; but I think we have substantial evidence, from the people with whom we have talked, from the economy of the situation, and from the spirit of the people—

Mr. WHERRY. Does the Senator mean that the 16 countries are to trade with other countries beyond the territorial limits of the 16 countries?

Mr. SMITH. That is what I mean. My hope is that they will reach the point where they will be trading with all the world, as they did before.

Mr. WHERRY. During the life of this agreement, which is proposed to be continuous for 4 years and 3 months, let us assume that one of the 16 countries which we rehabilitate—for example, France—is permitted to reconstruct its factories, and that the output of steel in the third or fourth year is such that it has steel for export. Let us assume that production reaches the point it is intended to reach. Would France be permitted to do business with a satellite country, or with Russia, in exporting its steel?

Mr. SMITH. I think that would be a determination to be made by the joint action of our organization here and the group established in Europe to deal with us.

Mr. WHERRY. The only alternative we have is to terminate our aid to France when that time arrives.

Mr. SMITH. Does the Senator assume that France suddenly begins to do something that we think is out of line?

Mr. WHERRY. Not suddenly. Suppose the United States should enter into an agreement for a period of 4 years. Suppose that after the end of the third year, when the industry had been built up, France was able to export steel. If France should have export possibilities, could she sell steel to any country in eastern Europe? Would we build up her plants to that position, and then say to France, "Now that you are doing business with Russia, we will cut you off?" Could that be the situation after we had built up the industries in France?

Mr. SMITH. That is a fair question. I would not expect that to happen.

Mr. WHERRY. Is it contemplated that France can deal with whomever she

chooses at any time during the life of this contract?

Mr. SMITH. There are certain controls over exports.

Mr. WHERRY. What controls are there? Do we have anything to say about it?

Mr. SMITH. I shall have to refer the Senator to the provisions of the bill for the details.

Mr. WHERRY. I have looked through the bill, and I can find no restriction on any of the 16 countries which would prevent them from doing business with any other country in the world. If there is a restriction in the bill, I wish the Senator would point it out to me.

Mr. SMITH. We hope that they will be able to do that as soon as they get on their feet.

Mr. WHERRY. If that is the hope, does the Senator feel that we should build up the industries of France for 3 years, permitting the output of steel to reach the point where France can export steel, and then permit her to send steel to Russia?

Mr. SMITH. That is a difficult question to answer.

Mr. WHERRY. It is certainly a vital question. It is one of the most vital that I know of. There is no restriction in the bill. That is the point which I tried to make the other day.

Mr. SMITH. I shall try to point out—

Mr. WHERRY. The Senator is a member of the Committee on Foreign Relations, which has reported this bill unanimously. I am seeking information. We are called upon to vote for this economic rehabilitation. What worries me is this: Is this to be a mutual relationship among the 16 countries only? Are the 16 countries to interchange goods only with friendly countries, to the end that there may be political unification? I dislike to use those words, because they did not meet with too much approval yesterday. If this is simply an economic development which will enable those countries, within the next 3 or 4 years, to export their products and sell them to whomever they please, and we have no way to stop it, we are actually providing the wherewithal to build those industries so that the products can be sold wherever those countries choose to sell them. If that includes Russia, then the very purpose of the bill will be defeated.

Mr. SMITH. I do not agree with the Senator's conclusion.

Mr. WHERRY. What is the Senator's conclusion, if the steel is sold to Russia?

Mr. SMITH. I cannot conceive of selling the steel to Russia when the very program we are promoting is to organize those countries to protect them against the Russian menace.

Mr. WHERRY. We are supposed to be protecting them against Communist aggression. If we should raise the industrial production of France, and her output of steel, to the point where France can interchange goods with other countries, as the Senator hopes she will be able to do, would such interchange of goods extend beyond the limits of the 16 countries? The Senator said it would. He said that goods could be sold wher-

ever those countries chose to sell them, to establish relationships with any other country in the world. Is there any restriction or limitation in the bill which would prevent France from selling her surplus steel to Russia? That is my question; and I understand the Senator to say that there is no such restriction.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. SMITH. I yield to the Senator from Massachusetts.

Mr. LODGE. I think there is very clear language in the bill which would make it impossible for France or any other country to use the assistance provided for in this bill to aid any country which might be competitive, or not in harmony with the United States. I shall try to point out the language in the bill which I think takes care of that situation.

On page 33, line 6, in section 17, the following language occurs:

SEC. 17. The Administrator, in determining the form and measure of assistance provided under this act to any participating country, shall take into account the extent to which such country is complying with its undertakings embodied in its pledges to other participating countries and in its agreement concluded with the United States under section 15. The Administrator shall terminate the provision of assistance under this act to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 15, or is diverting from the purposes of this act assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this act or (2) because of changed conditions, assistance is no longer consistent with the national interest of the United States.

What is section 15? I quote from section 15, on page 27:

SEC. 15. (a) The Secretary of State, after consultation with the Administrator, is authorized to conclude, with individual participating countries or any number of such countries or with an organization representing any such countries, agreements in furtherance of the purposes of this act.

What are the purposes of the act? The purposes of the act are stated on pages 2 and 3, and they very clearly indicate that "the Congress finds that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations."

If it is found by the Administrator—as I think he would find, because the Senator has found it already—that the action of Russia endangers the establishment of a lasting peace, that would be contrary to section 15; and under the termination section on page 33 the Administrator would be clearly within his rights in stopping aid to any country which sought to help Russia. In fact, it would be written into the agreement to begin with, that if any country used the aid in order to help a country which was dedicated to combating the purposes of the bill, such country would not receive aid in the first place. That is an entirely distinct proposition from trying to stimulate wholesome trade with

eastern Europe. There is plenty of power in the bill to stop the thing to which the Senator from Nebraska refers.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. WHERRY. That does not answer my question at all. To begin with, the termination section, section 17 on page 33, refers to section 15, which is found on another page, and which in turn refers to the purposes of the act. There is nothing in the purposes of the act which restricts trading of the sort described in the question which I propounded to the Senator from New Jersey. According to this provision, we could terminate aid the next day after negotiating an agreement. The Administrator could say that the other country was not complying with the purposes of the act, and terminate the aid.

Mr. LODGE. Does the Senator believe that Russia is devoted to "the restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence," or that Russia is devoted to "the establishment of sound economic conditions, stable international economic relationships, and the achievement by the countries of Europe of a healthy economy independent of extraordinary outside assistance"? No; the Senator does not believe that.

Mr. FERGUSON, Mr. KEM, and Mr. WHERRY addressed the Chair.

The PRESIDING OFFICER (Mr. ECTON in the chair). Does the Senator from New Jersey yield; and if so, to whom?

Mr. SMITH. Mr. President, I prefer to complete my remarks, and then answer questions.

Mr. WHERRY. Mr. President, will the Senator yield for an observation on that point?

Mr. SMITH. I am glad to yield.

Mr. WHERRY. Certainly we have a right to propound questions to the Senator.

Mr. SMITH. Certainly.

Mr. WHERRY. When the Senator brings up these points which I think go to the very heart of the bill, if he does not mind having us propound questions in connection with them, I think that is the time for us to discuss these things and to ask the question.

Mr. LODGE. And it is a good question.

Mr. WHERRY. Certainly it is a good question. I appreciate the comment of the Senator from Massachusetts.

Mr. President, I shall not interrupt the Senator if he does not wish to be interrupted. He has a perfect right to decline to yield.

Mr. SMITH. Mr. President, I am willing to yield, but I was trying to say to the Senator that the point he brought up is not one which I was covering at exactly this place in my remarks.

Mr. WHERRY. But can the Senator mention a point more salient in the bill than the one I have raised?

Mr. SMITH. No; I do not think there is one.

Mr. WHERRY. I think the point is most pertinent. The Senator from New

Jersey is a member of the Foreign Relations Committee, and he voted to report the bill from the committee.

Mr. KEM. Mr. President, will the Senator yield to me?

Mr. SMITH. I yield.

Mr. KEM. I should like to interrogate the Senator from Massachusetts.

Did I correctly understand the Senator from Massachusetts to say that in his opinion, each of the 16 nations participating in the plan would be under contract not to deal with Russia during the period of the plan?

Mr. LODGE. I said that under the terms of the plan, each of the nations would be under obligation not to do anything contrary to the purposes of the plan, and that obviously at the present time Russia is diametrically opposed to the plan, and therefore, ergo, Q. E. D. they could not deal with Russia.

Mr. KEM. Stripping off all the verbiage, and getting down to brass tacks, I ask this question: Will the Administrator require that each of the 16 countries participating in the plan be placed under contract not to deal with Russia?

Mr. LODGE. I cannot speak for the Administrator, who has not yet been born, legislatively speaking.

Mr. KEM. But I wish to know the Senator's position.

Mr. LODGE. In my view, if Russia then has the administrative personnel she now has if she then continues to take the position she now takes, I would take the position that of course this aid should not be funneled through those nations to help Russia.

Mr. KEM. Do I correctly understand the Senator from Massachusetts to say that the Administrator should be able to coerce those nations into taking that position?

Mr. LODGE. I would not say that; but I think the Administrator is clearly bound, by the language I just read, to see to it that this aid shall not be used to help any country whose purposes are contrary to the purposes of this act. I think that is as plain as plain can be.

Mr. KEM. Let me be specific, so as to avoid any misunderstanding: Does the Senator from Massachusetts understand that under the terms of the bill, in carrying out its provisions the Administrator will be compelled to require that each of the 16 nations shall undertake not to trade with Russia during the period of the plan?

Mr. LODGE. I think the Administrator has in his hands the awful power of picking and choosing between nations, and I believe that under the terms of this bill if the Administrator thinks Russia is acting contrary to the purposes set forth in this bill and contrary to the principles of individual liberty, free institutions, genuine independence sound economic conditions, stable international relationships, healthy economy, independence of extraordinary outside assistance, and all the other broad principles of the bill, then of course he will be obliged to include in these agreements a provision that they shall not trade with Russia.

Mr. KEM. Will that be a matter of discretion on the part of the Adminis-

trator? In other words, will he have the discretion to determine whether the beneficiary countries shall or shall not trade with Russia? Will that determination be at the mercy of his whim and caprice?

Mr. LODGE. I think it must be bound to depend on his discretion, because he will have to determine the conditions. Of course, we hope present conditions will change.

Mr. KEM. Does the Senator from Massachusetts think it is wise to vest such discretion in any man or woman in the world?

Mr. LODGE. I certainly do. I was in the Senate in 1937 when the Congress enacted the Neutrality Act. I was one of the six Members of the Senate to vote against it. That was an act by which we tied our hands in advance of an unpredictable event in foreign affairs; and there is no more imprudent thing that the Senate could do than to legislate in advance in regard to international affairs without knowing what will happen in that respect.

I think the Congress should lay down the precepts, the philosophy, and the principle, and then should have an efficient man to carry them out.

Mr. KEM. I understood the Senator from Massachusetts to say that they have not been specific as to that.

Mr. LODGE. They have not been specific insofar as individual countries are concerned, but they have been specific insofar as principles are concerned. The countries change. We have seen that happen in the last week. Does the Senator from Missouri want us to write into the bill a requirement to help Czechoslovakia and then find that Czechoslovakia is taken over by Russia? The Senator does not want us to help a country that has gone behind the iron curtain, does he?

Mr. KEM. But, Mr. President, the Senator pointed out only yesterday that there is nothing in the bill which would enable us to help Czechoslovakia or brave little Finland.

Mr. LODGE. But does the Senator from Missouri want this bill to require that we give help to a country that has gone behind the iron curtain?

Mr. KEM. I would oppose having in this bill anything that would vest in the Administrator or in any other citizen such unbridled power. Certainly we have seen mere whim or caprice work tremendous harm, even though sometimes they may work for good.

Mr. LODGE. Mr. President, the alternative to the present provisions of the bill, then, according to the position of the Senator from Missouri, would be to write into the bill, in so many words, the names of the countries we like and the names of the countries we do not like. Then, next year, when some of the countries we do like may have gone behind the iron curtain, according to the position of the Senator from Missouri, we would still have to send dollars to them, simply because here in Washington, in the month of March 1948, we thought it was a good idea to make such a provision in the bill. To my mind, that is an awful way to run a railroad.

Mr. WHERRY. Mr. President, will the Senator yield to me?

Mr. SMITH. I yield.

Mr. WHERRY. The answer the Senator from Massachusetts has given to the Senator from Missouri answers the question I propounded to the Senator from New Jersey, in that he has stated now that there are no conditions limiting the trade that France might have with any country outside the 16. That is the way I interpret his answer—in short, that no such limitation is written into the bill.

Mr. LODGE. I will say to the Senator that he misinterprets my answer.

Mr. WHERRY. Mr. President, has not the Senator from New Jersey yielded to me?

The PRESIDING OFFICER. The Senator from New Jersey, who has the floor, has yielded to the Senator from Nebraska.

Mr. WHERRY. The answer is that the Administrator has the power. I agree as to that. Of course, he has the power to do it, and he has to handle the administration. The State Department is the agency that negotiates the treaty. The agreement is to be made after the program is authorized, and section 15 gives to the State Department, in conjunction with the Administrator, the right to make agreements for the purpose of doing the very thing the Senator is talking about, namely, laying down the rules as to these countries.

My point is that, if conditions are to be written out, I think the Congress of the United States should have something to say about the ones that are written into this bill, instead of leaving that to the State Department and the Administrator, and especially so in view of the tremendous power given to the Administrator by the bill. No power that is given anywhere is greater than the power that this bill gives to the Administrator. Obviously, he will be able to dictate the economy of the United States and the economies of the other 16 nations. He would be able to tell a country to which we had committed ourselves for 4¼ years that we no longer wanted to assist it, and thus he would break our moral faith with that country. I think such action would do great harm to our relationship with these countries.

Again I ask the question, Is there in this bill any provision of the sort to which I have referred, namely, a provision to enable the Administrator, at the end of 3 years, let us say, to prevent France from selling steel to Russia or to any other country to which France might choose to sell steel, assuming that by that time France had gone ahead at full swing to build up her steel industry?

Mr. SMITH. Does the Senator mean cutting off our aid, or preventing them from selling?

Mr. WHERRY. I mean any provision that would preclude them. There is no political unification involved. All that is proposed is that we give the money with which to build up industry and to furnish aid. We have already done that for 2 years.

Mr. SMITH. Mr. President, if the Senator will allow me to answer, I should be glad of the opportunity, because I think I can answer.

Mr. WHERRY. Very well.

Mr. SMITH. I think it can be answered by section 15 (b) of the bill.

Mr. WHERRY. That has been read.

Mr. SMITH. All of it has not been read. It extends over two or three pages. I shall not read it all. The effort has been made to provide for multilateral pledges in the first place and also for bilateral agreements with a contracting country, under which, in the event certain things happen, aid is not to be continued. How is it possible to go further than that?

Mr. WHERRY. I agree with that. That is the proposal by the Secretary of State, with respect to maintaining relations among the different countries.

Mr. SMITH. That is correct.

Mr. WHERRY. I think it is a wise provision, but nothing contained in it directs the Secretary of State or the Administrator what to do in the situation I suggested to the distinguished Senator from New Jersey.

Mr. SMITH. I do not quite understand the Senator's position. Does he ask me the question, Shall we discontinue aid if certain things happen, or shall we say to France, after she has built up her industry, "You cannot sell things to Russia," and try to prevent it by force?

Mr. WHERRY. I asked the question, because the Senator said he hoped there would be inter-relations with respect to trade developed among the 16 countries. I think that is a good thing.

Mr. SMITH. I am speaking of trade, in the spirit of the provisions of the bill.

Mr. WHERRY. I think that is all right, but the point I make is respecting trade outside the 16 countries. There are no conditions whatever laid down relative to that.

Mr. SMITH. I do not agree.

Mr. WHERRY. I think that is very important. After we shall have contributed to the upbuilding of the industry of France, particularly her steel plants, she may then sell steel to whomever she pleases. She may sell it to Russia, she may sell it to any other country, even to a country having communistic tendencies or employing aggressive tactics or something of that kind against the United States. Am I not correct?

Mr. SMITH. I do not think the Senator is correct. If he will read the entire text of section 15, the provisions for agreements, he will see that France could do it, but it would be in violation of the agreement. It would not be within the spirit of the bill. I think the answer made by the Senator from Massachusetts was sound, if I construed his answer aright.

Mr. LODGE. Mr. President, we read, moreover, on page 3, in lines 4 and 5 of the bill:

It is declared to be the policy of the people of the United States to sustain and strengthen principles of individual liberty, free institutions, and genuine independence in Europe through assistance to those countries of Europe which participate in a joint recovery program based upon self-help and mutual cooperation.

If resistance to dictatorships, resistance to police states, resistance to im-

perialism, resistance to communism, is not written through every line of the bill, then I do not think I can read the English language.

Mr. KEM. Mr. President, suppose the French people say that genuine independence in Europe requires their being able to maintain and continue associations with Russia that have existed for more than 150 years.

Mr. LODGE. The Administrator, I think, who would read this language just as the Senator and I read it, would say to the French people, "Very sorry, I do not agree with you." I do not think the French people would ever say that, but taking the Senator's assumption that they would, I think the Administrator would have the complete backing in refusing aid.

Mr. KEM. Within a year a great deal has been heard about the shipments of grain which have been sent from Russia to France, in accordance with the long-standing feeling of amity between those countries and the business associations which have existed for many years.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. LODGE. I should like a second more. The Senator knows that world politics is in a state of flux. We ourselves have been sending machinery to Russia, so far as that is concerned, and nobody has known for the past year where they stand in regard to anything.

Mr. KEM. Exactly; and some of us want that stopped.

Mr. WHERRY. Does the Senator know how much is being sent?

Mr. LODGE. Less and less, I hope.

Mr. SMITH. Mr. President, I am now going to yield to the Senator from Illinois, who has been standing for some time.

Mr. LUCAS. Mr. President, I rise to ask the able Senator from New Jersey if I am correct in my understanding that the purport of the bill is that the 16 nations will have no authority under the bill to trade with Russia or with any of her satellite nations?

Mr. SMITH. No. My answer was just to the contrary. I think they will be able to trade definitely with any country in the world.

Mr. LUCAS. That was my understanding of the bill. But it seemed to me that certain questions that have been asked implied at least that we did not want France at any time to do any trading with any of the satellite nations of Russia, or with Russia itself. If I understand the bill correctly—I am not a member of the committee, and if I am in error I should like the able Senator from New Jersey and the able Senator from Michigan to correct me—under the Marshall plan we hope, as the Senator says, to rehabilitate the 16 western European countries and to bring about their economic recovery. Unless the 16 nations can do some trading and carry on commerce with certain of the satellite nations of Russia, it will be somewhat difficult, as I understand their economy, for them to get along. So we are attempting through this program ultimately to encourage trade at least with some of the satellite nations that are now under Russian domination.

If we take steel as an example, as my able friend from Nebraska did a moment ago, if it came about in 3 years from now that France sold steel, for instance, to Yugoslavia, I take it that France at that particular time would believe it to be in her interests and would help her restore herself economically to sell the steel. She would have the right to do it, in my humble opinion, under the pending bill. But the position must be taken now that if we do not want France to do that, either we have no faith in the ability of France to recover, or we have no faith in the future of France, and that France at the end of 3 years is going to sell out to Russia. I have faith in France. One of the nations over there in which I have faith, when it comes to carrying out the recovery program, is France. I merely rose for the purpose of trying to satisfy myself on this question, because certainly some of the questions asked by the able Senator from Missouri of the Senator from Massachusetts, as I understood them, indicated that he was attempting to have the Senator from Massachusetts admit that we were not going to permit trade at all with certain of the satellite nations. That is not the purpose of the bill, at all.

Mr. KEM. Mr. President, will the Senator yield?

Mr. LUCAS. I do not have the floor.

Mr. KEM. I should like to say that I was merely trying to clarify the statement made by the Senator from Massachusetts.

Mr. LUCAS. I am glad the Senator was attempting to clarify it, and it may be because of my own inability to understand him, but he muddled the waters for me, and that is the reason I rose to make this explanation.

Mr. KEM. I may say that the waters were already muddled.

Mr. SMITH. Mr. President, if I may, I want to make a statement myself. I have the floor. I wish to make a statement in answer to what the Senator from Illinois said, because it helped to clarify the situation, and I should like to take the time to make my own position clear. I think the whole purpose is to put the recipient nations back on their feet and in a position where they will be able to trade with the other nations of the world. We do not all agree that should be done, but that is my understanding. I should be glad to see France trade with Russia tomorrow, if she has to trade with Russia. But bear in mind that the 16 nations jointly have to make an agreement in accordance with the spirit of the program to carry out the aims of the program. The distinguished Senator from Massachusetts has read passages which indicate the spirit and purpose of the program.

Furthermore, an agreement is to be made with each of the participating countries by which terms are laid down providing what each country shall do for its own rehabilitation and to carry out the purpose of the program. If steel is made or if business is done with certain countries contrary to the spirit of the program, if, for example, something were done to strengthen Yugoslavia by supplying steel, or something which the Administrator felt was con-

trary to the spirit of the program, I insist that under the bilateral agreement to be made carrying out the spirit of the program, he would have a right to call a halt on France. But so far as freedom of trade is concerned, we are trying to encourage it all the way through, not only among participating countries, but with every other country in the world.

I think that is the only sound position we can take. I do not think it is possible to anticipate in advance what they may or may not do, but we have the two essentials: one is the encouragement of world trade, because that means the promotion of world peace and getting things established again; the second is the making of arrangements whereby each country will do its part to carry out the program, according to the spirit of the bill.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. WHERRY. So that we may understand the remarks made by the distinguished Senator from Illinois, in which the Senator from New Jersey acquiesced, as I interpret the bill, it is the intention that the countries to whom aid is given shall enter into agreements according to section 16, to carry out the purposes laid down in the declaration of policy, and that the agreements shall include the right to do business with satellite countries or with any other nation in the world with whom they want to do business. Is that correct?

Mr. SMITH. With the limitation that they are bound by their agreement to carry out the spirit of the act in everything they do during the life of this arrangement.

Mr. WHERRY. The only restriction is that we can cut off the money in the event the Administrator feels that the terms of the act might be violated. Is that correct?

Mr. SMITH. That, and the additional point that they have an agreement with the countries as a whole.

Mr. WHERRY. But if the Senator from Illinois [Mr. LUCAS] is correct, we are providing money to build up industry so they can have that relationship, and we now know that is what they will do.

Mr. SMITH. I do not know what the Senator's implication is.

Mr. WHERRY. I understood the Senator from Illinois to say that it was the intention to help to restore the 16 countries with the hope, of course, that they will not only build their trade for themselves but will have the right to sell their exports to the satellite countries.

Mr. KEM. Mr. President, will the Senator yield?

Mr. SMITH. I yield now to the Senator from Missouri. He has been waiting for a long time.

Mr. WHERRY. Is that the Senator's understanding of the situation as it now exists?

Mr. SMITH. I do not understand the implication which I think I read into the Senator's question. We want to help those countries to get back on their feet, but we have imposed limitations and safeguards, so far as we could, by providing for an agreement with the coun-

tries as a whole, and that each separate country shall carry out the spirit of the plan and advance the objectives of the whole plan, which are certainly not communistic objectives.

I yield to the Senator from Missouri.

Mr. KEM. I understood the Senator from Massachusetts [Mr. LODGE] to say that under his interpretation of the spirit or genius of the plan, the Administrator would forbid any trade between France and Russia during the period covered by the plan. I should like to ask the Senator from New Jersey if he agrees with that interpretation of the bill.

Mr. SMITH. I may be mistaken in what the Senator from Massachusetts said, but I do not think that is what he said. I should like to ask the Senator to answer that question for himself.

Mr. LODGE. I think we are getting a very simple thing confused. It is obvious that we shall never get western Europe on its feet and off our necks unless it receives from eastern Europe some of the things it needs. If we can develop trade with eastern Europe, if we can wean a part of it away from communism and enlarge the borders of the non-Communist world, that is one proposition.

Mr. KEM. That is correct.

Mr. LODGE. The second proposition is that we must not sell a nickel's worth of anything behind the iron curtain if it would strengthen and help communism. As I understand the bill, the Administrator, in view of Russia's present frame of mind, would interpret the provisions to prevent France trading with Russia. But if conditions should change and it should appear that trade between France and Russia could be carried on in a way which would be advantageous to the purposes of the plan, it could be done. To me, the idea which is implied in the remarks of the Senator from Nebraska [Mr. WHERRY], that under no circumstances must there be any trade between eastern and western Europe, means that we shall have to support western Europe for the rest of our lives.

Mr. KEM. May I answer the Senator from Massachusetts by saying that the bill distinguishes between trade with Russia which will strengthen the forces behind the iron curtain, and trade which will not.

Mr. LODGE. I think in a broad sense it does. It refers to trade which will strengthen the principles of individual liberty, free institutions, genuine independence in Europe, and so forth.

Mr. KEM. Let us be specific. It is difficult for me to think in generalities. Would the Senator say that under present conditions the sale of steel by France to Russia would be inconsistent with the principles of the pending legislation?

Mr. LODGE. If I were the Administrator I certainly should not look with a very kindly eye on that, myself.

Mr. KEM. Would the Senator say that the Administrator would be in any way compelled to do that?

Mr. LODGE. I think it would be very clear that he would not.

Mr. KEM. What would the Senator say as to the sale of wheat or other foods?

Mr. LODGE. With the imperialistic and dominating attitude of Russia, I

should think that any aid to Russia under this bill would not be possible.

Mr. KEM. Then I was incorrect when I interpreted what the Senator said to mean that under the spirit or genius of the legislation the Administrator would be compelled, under present conditions, to forbid any trade between France and Russia.

Mr. LODGE. "Under present conditions." The Senator did not have that phrase in his question the first time.

Mr. KEM. During the period of the plan?

Mr. LODGE. If there were a complete change of government in Russia or a complete change of outlook, the moral thing to do, perhaps, would be to send them wheat. I would not want to tie the hands of the Secretary of State or of the Administrator 10 months from now.

I apologize to the Senator from New Jersey.

Mr. SMITH. Let me say to the Senator from Missouri, in answer to his question, if I may have his attention for a moment, that a careful study of the plan and of the testimony before the committee indicates very clearly that the whole program is being operated primarily to put western European countries back on their feet. I cannot conceive of France being able tomorrow to sell a pound of steel to Russia. We are not compelled to let steel go to other countries of the world. All I am saying is that when we get the program operating it is our purpose to have those countries trade with other countries of the world. If there is any suspicion that Russia is moving in on them, the Administrator has ample power to control it. The Administrator may confer with the Secretary of State or the President. It is not as though one man were an autocrat. The Department of Commerce controls exports. Checks and safeguards are placed in the proposed legislation to build up a group of participating countries, hoping as soon as possible to have them, with other countries of the world, on a normal basis.

Mr. KEM. In order that we may not be unfair to our French friends, let me ask this question: What would the Senator say as to trade relations between the Socialist Government of England and the Socialist Government of Russia? Would that be permitted under the terms of the legislation?

Mr. SMITH. England would be one of the participating countries. As the Senator realizes, England is part of the whole program of trying to bring about restoration and self-recovery.

Mr. KEM. We read in the press that it is the purpose and intention of the present Government of England to stimulate and advance trade with Russia.

Mr. SMITH. We are trading with Russia today.

Mr. KEM. Yes, I know. I should like to remind the Senator that many Members of this body are very much outdone on that question.

Mr. SMITH. But it is a question of fact. At the moment we are not trying to head off any country in dealing with any other country in the world.

Mr. KEM. Does the Senator understand that it is the present policy of the Socialist regime in England to stimulate and advance business relations with Russia, a country which has somewhat the same ideology as that of the Socialist regime in England?

Mr. SMITH. I should be very much discouraged if I thought the Socialist regime in England had the ideology of the Socialist regime in Russia.

Mr. KEM. They are somewhat the same, are they not?

Mr. SMITH. I think there is a great difference between socialism and communism.

Mr. KEM. The ideology is very much the same, is it not? It is all predicated on the doctrines of Karl Marx.

Mr. SMITH. I do not care to enter upon a long, extended discussion on that question at this time, and the Senator would not want me to. But when I was abroad the thing that "burned me up," to use a slang expression, was the destruction of human liberty. England has not reached such a point as that. Merely because she has moved to socialism and may be moving toward the nationalization of industry, I do not think it would be fair to England to put it into the same classification as Russia, which is a police state.

Mr. KEM. Certainly not. Is this a fair question to the Senator from New Jersey: Is it a sound policy of the United States to undertake to curb the spread of socialism throughout the world by financing the Socialist regime in England? Is that a sound approach to our objective?

Mr. SMITH. I do not think so. I do not think that in the consideration of our program we are dealing with the politics of the particular countries. I realize what the Senator has in mind, and what has been said by those who have stated we should not give a cent to England until she takes up free enterprise again and gets rid of nationalism; but I do not think we are in a position to dictate her policy.

Mr. KEM. Does not this whole plan contemplate a transaction on an inter-governmental basis between the Government of the United States, on the one hand, and the Government of England on the other?

Mr. SMITH. Initially, but not ultimately, because we are working in the direction of operations by private enterprise just as rapidly as we can.

Mr. KEM. Is it not proper, under those conditions, for us to inquire as to what is the existing regime in each of the countries with which we are going to enter into executory contracts extending over a period of 4 years?

Mr. SMITH. I could not agree with the Senator if his implication is that we should deal simply with those countries with whose governments we are in accord and will not deal with those who have a little different ideology than ours.

Mr. WHERRY. Mr. President, will the Senator from New Jersey yield?

Mr. SMITH. I yield to the Senator from Nebraska for a question he desires to ask.

Mr. WHERRY. Summing up the part of the colloquy I engaged in with the Senator, is there anywhere in the report

any evidence on the subject, or does the Senator know whether or not there would be an opportunity for the State Department or the Administrator to negotiate trade agreements with the countries, without having difficulty with agreements which have already been made between the 16 countries and the countries of eastern Europe? Let me explain. Let us say that Great Britain has a trade agreement today with Russia, or that Great Britain has a trade agreement with a satellite country. Would not the Administrator be handicapped? Might it not be in direct contradiction to what the Administrator could put into an agreement afterward, so that it would be impossible to write agreements based upon the broad general provisions of the policy, and still meet the trade relations under agreements with these countries which have already been made by the satellite countries?

Mr. SMITH. That is a possibility, but that matter would come up before the bilateral agreements were made, and we could decide about it.

Mr. WHERRY. I did not mean to single out France as trading with Russia, and to say anything disrespectful of France. I have been in France, and I am just as anxious to see France recover as that any other country shall recover. I merely gave that as an illustration. England has a trade agreement with Russia now; has it not?

Mr. SMITH. I think it has.

Mr. WHERRY. If we vote these appropriations, is England to continue that trade agreement with Russia?

Mr. SMITH. I think she very possibly might. It could not interfere with the program we are setting up with England, and she could not use the material she gets from us for export.

Mr. WHERRY. Does the Senator mean we would be enough of a watchdog so that we could go down all the way through the industries that fabricate in England, to find out whether or not the goods we furnished them were going to Russia?

Mr. SMITH. I think we would be in pretty close touch with the program.

Mr. WATKINS and Mr. LODGE addressed the Chair.

The PRESIDING OFFICER. Does the Senator from New Jersey yield; and if so, to whom?

Mr. SMITH. I yield to the Senator from Utah, and then I shall yield to the Senator from Massachusetts. But I should like to suggest that I still have unfinished part of what I prepared as an address. It has been interfered with, and I am afraid the continuity is lost. I should like very much to reach my peroration presently.

Mr. WATKINS. Mr. President, I wish to ask with respect to the trade agreement between Great Britain and Russia. Is it not a fact that a part of that agreement contemplates the shipping of steel products from Great Britain to Russia, in the way of tractors, and other vehicles and instruments into which steel enters?

Mr. SMITH. I cannot answer the Senator's question.

Mr. WATKINS. There is an account in the newspapers of a treaty which has already been entered into. Under the

terms of the act, will the Administrator be required to ask Great Britain to abrogate that agreement, if they have already entered into one?

Mr. SMITH. We may have to do that. If we find in existence an agreement of that kind, which would upset an agreement worked out under the proposed program, we would have to say, "You will have to wipe that out." If I were the Administrator, I would not have any hesitation in doing that.

Mr. WATKINS. Under the bill, as I understand from the proponents, it has been considered all the time that a part of the policy is that the 16 nations shall obtain a portion of their necessary supplies, such as wheat and other commodities, from the satellite nations in eastern Europe, which will help the 16 nations to get along; but in order to obtain products from those nations, the 16 nations will, of necessity, be required to ship to them and exchange goods with them.

Mr. SMITH. I do not think there is very much prospect of getting supplies from the satellite countries in the immediate future.

Mr. WATKINS. Is not that a part of the program and a part of the plan itself?

Mr. SMITH. As I said before, we hope that ultimately there will be trade between all these countries.

Mr. WATKINS. It is understood the 16 nations are to get a part of their supplies from the satellite nations in eastern Europe, is it not?

Mr. SMITH. If the Senator is referring to the probability of the normal trade relations they had before, a survey is being made, and it is figured that a certain amount of goods will come from eastern Europe. I do not think that any considerable amount is relied on.

Mr. WATKINS. It may not be relied on, but it is a part of the program under the pending bill, is it not?

Mr. SMITH. I think it would be expected they would get foodstuffs from eastern Europe. I do not see why that should not be so. The Senator is suggesting that products may go from the 16 countries in exchange. Bear in mind, it has to fit into the handling of the overall program, and we are not going to sacrifice any of the participating countries to any of the other countries.

Mr. WATKINS. With relation to France, as I remember the report, it states that the steel industry of France is to be encouraged to increase production 20 percent more than it was in prewar times. Questions have been asked with respect to what France will do with the steel. Is there anything in the bill which would prevent France from shipping that increased supply of steel to Russia, even though the United States might not be on good terms with Russia?

Mr. SMITH. I do not think there is anything specific, but if we knew that the plan was to ship to Russia, under conditions that would sabotage the whole recovery program, certainly we would object, and would not go into the program.

Mr. WATKINS. When they are increasing production 20 percent over that of prewar times?

Mr. SMITH. Let me remind the Senator that those targets of production were set by the countries themselves, representing what they are aiming at, but primarily the allocation of the commodities produced is going to be governed by the over-all plan for the participating countries in the first place. There is no provision requiring them to do that, except so far as the Administrator can control it from this end. They will not be shipping to other parts of the world large quantities, especially of materials which are in short supply, such as steel, if steel is still needed in the area we are trying to build up. I cannot anticipate every possible contingency that may arise, but it seems to me the pattern is clear with respect to what we are proposing to do.

Mr. WATKINS. It seems to me the pattern is clear that we expect these nations to do business with the satellite nations, and that we do not mean to tell them what they can sell or what they can buy. But if I understood clearly what the Senator from Massachusetts is contending for, that is what we are going to do.

Mr. SMITH. The Senator from Massachusetts will answer for himself, but what he has in mind is that we want to go along with the program of dealing with countries that are on friendly terms with this group. With respect to those who are not we will say, we are sorry, but that is not in line with the purposes of the bill. It is not in line with the purposes set forth on pages 1 to 3 of the bill.

Mr. WATKINS. I have read that language. I know the general objectives. It is easy to state the general objectives, but when one comes to apply them one sometimes finds he is fighting against the very thing he wants to accomplish by permitting certain things to be done. I call attention to the case of Great Britain.

Mr. SMITH. I concede that all kinds of possibilities can arise that could not be covered by any legislation. The point is whether we are going to have faith in what we are undertaking to do which will be done under an Administrator appointed to carry out the purposes of the act.

Mr. WATKINS. Should we not amend the bill so as to make certain that the Administrator cannot mistake the guideposts?

Mr. SMITH. We tried to do that so far as practicable within the limits of having the plan operate. The committee spent hours over that very thing, and if the Senator will read the bill carefully he will see the care we took in placing limits in the right place, and yet not go so far that the Administrator's hands would be bound so he could not operate under the plan.

Mr. WATKINS. I have read the bill, and I find that the bill and the report do not seem to be in harmony with each other. Apparently the interpretation now being given to the bill is that the 16 nations are not to trade with other nations if such trade will in any way help Russia. On the other hand, the report says that we contemplate urging

these nations to enter into commerce with the satellites of Russia, nations which we might just as well contemplate as being a part of Russia. It makes no difference whether it is the satellites or Russia itself. Under those circumstances it seems to me we have a duty to clarify the proposed legislation if we are to pass a bill about whose terms there can be no mistake.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. CONNALLY. I wish to say to the Senator from New Jersey and other Senators that there seems to be a misconception respecting the purpose of the bill. It is not the purpose of the bill to have an administrator over there to supervise every commercial transaction with other nations and say, "You cannot ship anything to this nation and you cannot ship so and so to the other nations." It is proposed to make a unilateral agreement with all of them as a group. We cannot go into details, but we do set out general principles which shall actuate them in undertaking to meet the program. Then we have individual agreements with each country setting out again the general principles. If at some time one of the contracting parties, one of the recipient countries, should do something which the Administrator regarded as being violative of its agreement, or as being violative of the spirit of the whole program, the Administrator could cancel and terminate the contract. He could quit giving money to them.

But, Mr. President, what is the purpose of the bill? The purpose of the bill is to restore these countries, to rehabilitate them, to help them resume their normal business transactions. We could not afford to write into the bill a prohibition that goods or foodstuffs cannot be sold to this country or to that country. The supposition is that even if something were sold to Russia, terrible as that might be—although we ourselves have been doing it for a long while—the country which makes the sale would get something back from Russia which it needed, which would tend to that country's economic rehabilitation and restoration. So I cannot see a great deal of point to many of the objections which have been leveled in the direction of the Senator from New Jersey.

Mr. WHERRY. Mr. President, will the Senator from New Jersey yield to me to ask a question of the Senator from Texas?

Mr. SMITH. I yield.

Mr. WHERRY. Let us assume that the unilateral agreements entered into by this country, through the Administrator, with the 16 countries, provide that certain allocations or shipments of steel to all the 16 countries shall be made, and then, for the sake of the argument let us assume further that there is an agreement between Great Britain and Russia, and in that trade relation there is the sale of goods manufactured from the steel which is furnished to Great Britain by the United States. Do I interpret the Senator correctly when I say that it would be his feeling that in carrying out

the unilateral agreement Great Britain would be permitted to fabricate that steel and sell the goods made from it to Russia?

Mr. CONNALLY. I think that would be contrary to the spirit of the whole plan. The Senator's question was based on the assumption that Great Britain already has a contract with Russia?

Mr. WHERRY. Yes.

Mr. CONNALLY. We could not contemplate anything she is going to get from the United States in the way of steel; we could not cover that.

Mr. WHERRY. I am speaking about trade relations which would be entered into by a contract which would permit the sale and fabrication of steel goods for the future. I am trying to get the Senator's reaction to this one point: Should we provide the money to buy steel which is to be sent to Great Britain under the unilateral agreements which will be entered into between the Administrator and the 16 countries, with the full understanding that when we enter into the agreement under which we are to put up the money only Great Britain, through a trade arrangement, will sell fabricated goods to Russia during the lifetime of the unilateral agreement and the trade agreement between them? Is it the Senator's position that if we enter into such a unilateral agreement we are to furnish the steel which is to be fabricated, made into finished products, and sold by Great Britain to Russia?

Mr. CONNALLY. I think the Senator's question is a strained one. He talks about the United States entering into a contract with Great Britain. I do not know what provisions such a contract would contain. But let me suggest to the Senator that if Great Britain received steel from us on the theory that her own economy needed the steel, and then she turned around and sold it to some other country, that would be violative of the spirit of the plan and of the agreement.

Mr. VANDENBERG. And of the letter of the plan also.

Mr. CONNALLY. And probably the letter of the plan as well. If Great Britain should receive the steel on the pretense that she needed it in her own economy and then began to divert it and ship it to other countries for a profit, that would be a classic case in which the Administrator could say "You do not get any more of anything, Mr. England," if the Administrator should so decide.

Mr. WHERRY. I think the Senator did not understand the force of my question. I am talking about the raw steel which we export to Great Britain under a unilateral agreement which certainly will be entered into, because the allocations of steel are based upon it.

Mr. CONNALLY. The same rule would apply whether it were raw steel or not.

Mr. WHERRY. I am talking about the raw steel we would send to Great Britain. Great Britain would fabricate that steel. The steel would lose its identity for when it is fabricated it cannot be identified. I am talking about goods which are fabricated, finished products

from steel which Great Britain obtains from us, raw steel. What I ask, and I think it is a practical question, is on the assumption that allocations to Great Britain are made upon that basis, and the fabrication is made, and then, under the trade agreement between Great Britain and Russia, those goods are sold to Russia. Does the Senator think that we should furnish raw steel for that purpose?

Mr. CONNALLY. Mr. President, I shall try to answer the Senator. I think the Senator ought to be answered. I think the more he is answered the better off he will be, and the better off we shall be.

The Senator from Nebraska agrees with my original proposition, that the steel we send to England cannot be sent to Russia in that form.

Mr. WHERRY. I should not think so.

Mr. CONNALLY. It would be difficult to follow the processing of steel and pick out this nail, which was made in America, and that nail, which was made in Russia. But if England's purpose—either immediately or ultimately—were to divert steel in any considerable volume to Russia, the Administrator would have a right to stop it, and he ought to stop it.

Mr. WHERRY. We know from past experience that such an agreement might exist—

Mr. CONNALLY. We cannot supervise the agreement.

Mr. WHERRY. We cannot police the steel.

Mr. CONNALLY. No; we cannot police the agreement. If one agreement is in existence, and Great Britain makes another agreement, if there is any conflict between the agreements, they must be tested by their terms. We are a party to one of them, and if the terms of the agreement are violated, we can break it.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. LODGE. I wish to make one remark, which is suggested to me by what the Senator from Utah, and the Senator from Nebraska have said.

First of all, a very elaborate system is established so far as shipments of goods from this country abroad are concerned. So if it is a question of diverting the actual raw steel, I do not think we need to worry about that. The Senator from Nebraska admits that.

Mr. WHERRY. I am not admitting anything.

Mr. LODGE. Then, the Senator does not admit it.

Mr. WHERRY. My question does not relate to the diversion of raw steel. I will not subscribe to any appropriation which would permit steel to be fabricated into an implement of war to be sold to Russia, any more than I would subscribe to sending to Russia under lend-lease a high-octane refinery plant.

Mr. LODGE. Of course, we all agree that we must not send any arms, munitions, or implements of war to Russia. We have no argument on that score.

This proposition is so simple that it surprises me that we can whip it around as much as we have done this afternoon. Under certain conditions trade with

eastern Europe is desirable, and in the interest of the United States. Under certain other conditions trade with eastern Europe is not in the interest of the United States. We would be the greatest fools in the world if we were to write language into the bill prohibiting trade with eastern Europe, just as we would be the greatest fools in the world if we were to write language into the bill requiring trade with eastern Europe.

If the British were to take steel and convert it into forks and spoons, and if it were deemed by the Administrator, by the Senator from Nebraska, and by nearly everyone else—as it might be—that it would be very advantageous to send forks and spoons to the Russians in exchange for wheat which Europe needs because we have a bad crop here, and because the cost of living is going up here, the Senator from Nebraska might be the first to say that it would be a good thing to send English-manufactured forks and spoons, made from American steel, to the Russians. In fact, there might be fewer Communists if they began to use those particular implements. It would be a very silly thing for us to tie our hands simply because there is a bad possibility.

If the Administrator is a fool and a knave, then it makes no difference what we write into the bill. The administration of the law is to a great extent dependent upon the caliber of the Administrator.

Mr. WHERRY. I agree with the Senator.

Mr. LODGE. But if the Administrator is an intelligent man, and if he is a patriot, I do not think the Senator from Nebraska, the Senator from Utah, or the Senator from Missouri will have anything to worry about.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. WHERRY. Let me answer the observation of the Senator from Massachusetts. It all gets back to two things. One is the ability of the Administrator, as to which we all agree. If we have the right kind of an Administrator anywhere we need not worry. If we had had the right kind of administration and the right kind of foreign policy for the past two and a half years, we would not be in the trouble which we are in today.

But when we come to the question of foreign policy, we really have no foreign policy. The only way in the world in which this plan can work is by policing Great Britain. We cannot even police our own country. After an exhaustive research we found the transfer and shipment of the high-octane plants.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. LODGE. Does the Senator from Nebraska mean to say that we cannot get an agreement that there shall be no shipment of weapons to Russia? Of course we can.

Mr. WHERRY. I say that we cannot police Great Britain.

Mr. LODGE. We do not have to police Great Britain.

Mr. WHERRY. Then how are we going to find out whether the fabricated goods are exported, and who gets them?

Mr. SMITH. Mr. President, I regret that I cannot yield further until I finish my remarks. Then I shall be glad to yield the floor. I have been on my feet for nearly 2 hours.

Mr. CONNALLY. Mr. President—

Mr. SMITH. I am sorry, but I cannot yield further.

Mr. CONNALLY. I shall not ask the Senator if that is his attitude, but I have had very little opportunity to participate in this discussion.

Mr. SMITH. I am always glad to do anything I can for my distinguished friend from Texas.

Mr. CONNALLY. I did not quite finish what I was trying to say a while ago. I really believe that it would be helpful to the Senator.

Mr. SMITH. I yield to the Senator from Texas.

Mr. CONNALLY. In rebuilding and restoring these countries we are supposed to make it possible for them to trade. Where have they traded all their lives? Western Europe has traded with eastern Europe. It has obtained its foodstuffs from eastern Europe. In return, it has sent manufactured goods to eastern Europe. In the future, under these agreements, if western Europe needs food, do we want to send it from the United States, and raise the prices which our people must pay for food? Or would we prefer to let western Europe get food from eastern Europe?

Mr. WHERRY. It costs dollars just the same.

Mr. LODGE. It would not cost any more dollars than are provided for in the bill.

Mr. CONNALLY. Of course we cannot send food anywhere without its costing something. But how much better it would be for western Europe to trade with eastern Europe, and buy the things which eastern Europe can provide, sending in return manufactured goods, and leaving our economy more nearly self-contained than it would otherwise be.

We talk about the iron curtain. One pretty good way of infiltrating the iron curtain and making it less powerful is to trade across the iron curtain. The people over there are human beings. They have a sense of economy. They know what is good for them. If they have a market across the iron curtain that is profitable, they are going to trade across the iron curtain. When they trade across the iron curtain, a little of the iron curtain will be worn off. There will be an abrasive effect, it will be whittled down.

Most of the people of the world are not concerned with high politics. They are concerned with their bodies, their health, their comforts, and conveniences. So I think it is a good thing to let western Europe trade with eastern Europe. We cannot carry on all the commerce with western Europe. If we should try to do so the Senator from Nebraska would be here demanding that we impose a tariff to shut out imports from France, Great Britain, and other nations.

Where else can western Europe trade, if not with eastern Europe and with other countries? We want to restore the economy of those countries. We want to make their normal activities come alive again. We cannot do that by shutting them off, putting them in a strait-jacket, handcuffing them, and saying "You shall sell a dollar's worth of goods to So and So."

I am willing to leave it to the sense of the Administrator under his contracts. If any of these dangers are lurking around, let him put provisions in the contracts prohibiting them—either in the unilateral contracts or the multilateral contracts. Then if any country violates those provisions, if it pursues a policy which is against the interests of the United States, it can be cut off from aid, and remain cut off.

A little later, probably next week, I expect to submit some further remarks on the bill. One of the things which I expect to stress is the heavy responsibility upon the European nations themselves. Unless they are determined to come out of their misfortunes, unless they have a mind to resurrect themselves, the United States will not continue with such a program as this. We cannot continue forever to be an eleemosynary institution. The European nations must get up and do their eternal damnedest if they want the United States to support them with this program or any other program. We are trying to enable them to help themselves. Let them manufacture; let them produce; let them sell; let them exchange, so long as they do not do any act contrary to the principles of the bill and of this system or contrary to the interests of the United States.

Mr. LODGE. Mr. President, may I ask the Senator one question?

Mr. CONNALLY. It is necessary to obtain the consent of the Senator from New Jersey, who has the floor.

Mr. LODGE. Then I shall stop.

The PRESIDING OFFICER. The Senator from New Jersey has the floor.

Mr. SMITH. Mr. President, I yield to the Senator. Let us finish this colloquy.

Mr. LODGE. Mr. President, I have but one sentence to my question: Is it not true that if this bill works out 100 per cent successfully and according to our high expectations for it, there will be a complete, flowing, abundant trade between eastern and western Europe, and that is how we would know it had been successful?

Mr. SMITH. Certainly, and that is how the situation was formerly, in large part.

Mr. CONNALLY. Mr. President, I thank the Senator from New Jersey for permitting me to interrupt him.

Mr. LODGE. I also thank the Senator from New Jersey.

Mr. CONNALLY. I have been waiting to be enlightened by his speech and to be stirred by the peroration to which he has referred. I appreciate his courtesy in permitting Senators to ask questions, and I particularly appreciate the high value of his speech.

Mr. SMITH. Mr. President, I wish to make a brief statement in reply to a question previously asked about the number of Russian soldiers in Austria. The

figure given to me is that 25,000 Russian soldiers are in Austria at the present time, and the United States has between 10,000 and 15,000 there. I am also informed that there are no official Russian soldiers in Bulgaria today. I make that statement in reply to a question which was asked earlier.

Let me say here that I am grateful to the Senators who have asked questions. I think the questions which have been asked by the Senator from Nebraska and other Senators have been very helpful in bringing out the situation in regard to the various points which have been mentioned.

I was discussing the difficulties in various countries of Europe, and I started to say, when the interruption came, that now we have a gleam of hope in the amazing accomplishment of the Paris conference where these divided peoples have adopted goals for their respective accomplishments as conditions of their further aid from us. Let me add here, and emphasize especially, the vital importance of including western Germany, and by this I mean the bizonal area, and also I hope soon the French zone, as a part of this entire program. We and Great Britain at the moment are the existing government of the so-called bizonal area. We can determine the future of this important part of the world, and we have the distinct responsibility to do so. It must be part of this rehabilitation plan. We should use the Ruhr and its industries, not alone to put Germany on a self-sustaining basis again, but also, and more especially, to make the German resources a part of the entire western European rehabilitation program.

So I want to suggest that in this program of aid for Europe, we are not dealing with a charity problem, but we are dealing with a problem that concerns the morale, not only of Europe, but of the entire world. The program brings out in bold relief hope versus despair. It suggests an over-all vision of a united world of mutual aid, as opposed to a divided world of selfish national pressure groups. To bring this about, the movement can and should be spearheaded by an enlarged vision of America's foreign-aid policy, which as I visualize it, would have, as I think this program does, the following characteristics:

First. It should be bipartisan and all-American.

The great majority of people today accept the fact of the interdependence of nations and the threat of communism. The extreme sacrifices in the late war made by our own boys have brought home to us again the values of our human freedoms. There can be no distinction between Republicans and Democrats when we are thinking in these terms. If we can have an American bipartisan foreign policy which is understood by the world—the sort of American bipartisan foreign policy which the chairman of the Foreign Relations Committee has been urging for so many years—we can remove the fear for the future that other nations might have if they felt that a change of administration might mean a change in that policy.

In other words, I am pleading that no matter what the outcome of the election this fall may be, we should adopt now a program that will be carried out regardless of what party is in power next year.

Second. It should be positive and creative and not grudging.

We must move into our responsibility with enthusiasm, not with reluctance or suspicion or grudgingly. We must have care in our giving and in our lending; but in our relationships with other countries in dealing with this aid program, let us use the opportunity to raise the level of international understanding.

Third. It should help nations to help themselves. I have been emphasizing this point all through my remarks.

Our help must be designed to strengthen the economy and life of other nations, rather than to make them dependent. This means that they must have the primary responsibility to work out their own self-imposed programs of productivity. There must, of course, be adequate supervision to see that these programs are being carried out while we continue our aid, but fundamentally we must respect and support the spirit of independence and pride of accomplishment that is inherent in any free people. I think that is most important, and I believe that much will be lost if we try to impose too many shackles on these people, and if we do not encourage self-expression.

Fourth. It should be administered by the nations themselves under proper observation.

Technical help and professional advice should certainly be offered, and we should have observers to see that the aid is used as intended. Of course, we have the controls provided by the agreements for which provision is being made. But it is my judgment that ordinarily the workings of a free press, with its free criticism, should be our main reliance in connection with checking on the results. The extent to which we refuse responsibility to the Nation concerned to put its own house in order is the extent to which we invite suspicion and failure. I mean that they should work this out under the terms of the agreements made with us. If we do not find that the necessary progress is being made, we can cut off our aid, of course. But we should not put too many shackles upon them.

Fifth. It should be carried out, so far as possible, within the framework of the United Nations.

This "town meeting of the world," as John Foster Dulles termed the General Assembly, has amply demonstrated its usefulness in the uniting of public opinion of the free nations against the resistant imperialism of the rebel nations. Let us move with the conscience of the world in all that we do in this matter.

In conclusion, Mr. President, let me emphasize that we must relate our living at home to these international responsibilities. This crisis in world affairs is a crisis for America in more ways than one. It is our way of life that is on trial, and not merely our ability to furnish material aid in dollars and commodities. The intensity of the existing world struggle will test our character of living.

We must prepare ourselves in every possible way. I am strongly in favor of keeping our armed strength at a readiness that will serve as a warning to potential aggressors and will support the objectives of the United Nations. But let us ever bear in mind that this is a war of ideas, and that the democratic system is on trial. Communism waits for our economic system to break down. Our inability, through selfish divisions at home, to aid in the rehabilitation of Europe at this critical moment will be the signal for communism to move in and take over. This is a direct challenge to each one of us.

But I will not close on a negative note. Under God, the people of America will not betray their destiny; rather, we will courageously overcome the negative defeatism of communism by saying to those nations of the world which are still free to listen: "We are embarking on the greatest venture in history—the building of true democracy. We do not have all the answers. We have made many mistakes. But we are on an upward pilgrimage. Let us battle together and make our distinctive contributions to a united world built on a true sharing of the material and spiritual benefits which are the heritage of the ages."

This, Mr. President, as I understand it, is the spirit and purpose of the so-called Marshall plan, which now has been translated into the pending legislation. This conception of our foreign-aid policy will proclaim to the world the dedication of America and its resources to creative, inspiring, and lasting peace.

Mr. President, I shall support the pending legislation with confidence and with enthusiasm.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. SMITH. I yield the floor.

Mr. KNOWLAND. What I am about to say fits in with what has just been said, though I do not want to continue interruptions of the able Senator from New Jersey.

Mr. SMITH. I shall be glad to yield.

Mr. KNOWLAND. Mr. President, it seems to me the able senior Senator from Texas put his finger on a situation which is worthy of further consideration. It is with respect to dealings with the satellite powers by the 17 European beneficiary nations. If, for instance, Britain in her agreements presently in force had agreed to send tractors to Russia, and if, at the same time, she were asking for tractors from the United States, I should think the Administrator would have a right to take a very dim view of that type of situation. On the other hand, consider the situation in Poland. I was in Poland, as was the able Senator from New Jersey. It is true Poland is a satellite power. However, if Poland showed some inclination to trade with the western zone in Germany, if a quid pro quo agreement could be entered into whereby, in consideration of certain modern coal mining machinery being shipped to Poland, they in turn would agree to ship coal into western Germany or into western Europe to help implement the European Recovery Act, I should think that would be a satisfactory quid pro quo

agreement that might well be encouraged in trade between the east and the west. But, as in so many other instances, it is going to depend on a matter of judgment. The Senator from Massachusetts has very ably pointed out that we cannot today, on the 4th of March, know what the conditions are going to be in October or November, when perhaps Congress will not be in session. The chief criticism I had in mind in the remarks I made on both the 2d and 3d of March, and on the 2d of March when I put into the RECORD the exports to Russia from the United States and the imports from Russia to the United States, was that it was not on a strictly quid pro quo basis. It is true that we receive from Russia certain basic materials, manganese, and chrome. Had we on a strictly quid pro quo basis traded certain things that they needed, for example \$1,000,000 worth of what they need, for a million dollars' worth of what we need, I should not have had so much objection to it. But as I pointed out and as will be found at page 1989 of the CONGRESSIONAL RECORD of March 1, we are exporting to Russia a long list of basic materials and important industrial equipment, including generators, which are in short supply in this country, railroad cars, of which we do not have a sufficient number to move from the Pacific coast to the east coast our crops with which to help feed Europe. Three-quarters of what we get from Russia is not made up of items such as manganese and chrome, which add to our stock piles and would add to our own industrial strength, but three-fourths of our imports from that country in exchange for basic materials, the industrial equipment to which I have referred, has been furs and fur products. That simply does not make sense. We are importing, and as I say three-quarters of our imports are furs and fur products, at the very time when in the other House of Congress there is a bill to subsidize fur farmers in this country because they no longer can continue in business.

That is the type of situation in which I think judgment should be used on our part, but I do not think judgment has always been used. I am hopeful, as the able Senator from Texas has suggested, that the Administrator will use judgment in negotiating the agreements.

Mr. SMITH. Mr. President, I thank the Senator for his statement, which I think is very accurate. I agree with what he says. I think it brings out the nature of the problems the Administrator will have to face. It also suggests to me that the able Senator from California might be in line for the position of Administrator, in view of his capacity and his apparently extensive study of the matter. I yield the floor.

Mr. LODGE. Mr. President, this colloquy, I think, has shown that all depends on the nature of the trade. If we, or the recipient nations, are sending something overseas to Russia that we do not need or if we are sending something that they think we need but that we know we do not need, and if the recipient nations are receiving in return something very essential, then possibly it is a good thing.

I ask unanimous consent to have printed in the RECORD at this point paragraph 32 of the report on the European recovery program by the Committee on Foreign Relations. The paragraph is entitled "The Role of Eastern Europe and East-West Trading." I think it should be placed in the RECORD at this point in view of the discussion.

There being no objection, the paragraph was ordered to be printed in the RECORD, as follows:

32. THE ROLE OF EASTERN EUROPE AND EAST-WEST TRADING

The Soviet Union and Communist Parties elsewhere in Europe are in a position either to make substantial contributions to European recovery or to imperil its success. Recent developments indicate that the latter course might be taken. Through the Cominform, established in October 1947, the Communist Party has waged a "cold war" on the United States and has continuously distorted American motives behind the program initiated by the European countries themselves. Communist-inspired strikes and disturbances have already taken place in a number of ERP countries and might occur again, thereby greatly impeding the production effort of western Europe.

The Soviet Union, furthermore, is in an effective position to hinder the restoration of trade between eastern and western Europe. At present the over-all volume of trade between eastern and western Europe is about 30 percent of the prewar volume. The CEEC report, however, assumes that the westward flow of cereals from eastern Europe will reach prewar levels and timber will reach 75 percent of the prewar level in 1951. The restoration of this trade, which traditionally has consisted of food supplies, timber, and coal from the east and manufactured goods from the west, is one of the basic assumptions on which the participating countries predicated their import requirements from the Western Hemisphere.

The number of bilateral trading agreements concluded or being negotiated between eastern and western Europe is encouraging. On the other hand, Russia and her satellite states likewise have entered into a number of agreements which may have the effect of retarding the normal flow of trade. This web of trade agreements, together with the Russian grain and barter arrangements, constitute the Molotov plan which has the effect of tightening Russian control over the exports of the satellite countries and diverting their products from the west, where they normally flowed, to the east.

In the light of the Molotov plan and the attitude of the Cominform toward the European recovery program, there can be no certainty that the assumed restoration of trade will actually occur. Healthy trade relations within the European Continent will greatly aid the objective of ERP and the door is left open to the participation of eastern European countries in the program. If restoration of trade between the east and west of Europe does not occur, it is the opinion of the State Department that "recovery in the west of Europe will be much slower and more difficult, but not impossible of achievement."

The committee accepts and approves the assumption concerning the desirability of restoring east-west trading. This is another clear indication which should destroy the misconception, ceaselessly propagated, that the economic cooperation bill is designed to split Europe into two economic camps.

Mr. LODGE. Mr. President, I believe the correct procedure now is the recognition of the Senator from Nevada.

The PRESIDING OFFICER. The Senator from Nevada.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. MALONE. I yield.

Mr. LODGE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hawkes	O'Connor
Baldwin	Hayden	O'Daniel
Ball	Hickenlooper	O'Mahoney
Barkley	Hill	Overton
Bridges	Hoey	Reed
Brooks	Holland	Revercomb
Buck	Ives	Robertson, Va.
Butler	Johnson, Colo.	Robertson, Wyo.
Byrd	Johnston, S. C.	Russell
Cain	Kem	Saltonstall
Capehart	Kilgore	Smith
Capper	Knowland	Sparkman
Chavez	Langer	Stennis
Connally	Lodge	Stewart
Cooper	Lucas	Taft
Cordon	McCarran	Taylor
Donnell	McCarthy	Thomas, Utah
Downey	McClellan	Tobey
Dworshak	McFarland	Umstead
Eastland	McGrath	Vandenberg
Eaton	McKellar	Watkins
Ellender	McMahon	Wherry
Ferguson	Malone	Wiley
Flanders	Martin	Williams
Fulbright	Maybank	Wilson
George	Moore	Young
Green	Morse	
Gurney	Murray	

Mr. WHERRY. I announce that the Senator from Maine [Mr. BREWSTER], the Senator from Ohio [Mr. BRICKER], the Senator from South Dakota [Mr. BUSHFIELD], and the Senator from Indiana [Mr. JENNER] are necessarily absent.

The Senator from Colorado [Mr. MILLIKIN] is absent by leave of the Senate.

The Senator from Minnesota [Mr. THYE] is unavoidably absent.

Mr. LUCAS. I announce that the Senator from New Mexico [Mr. HATCH], the Senator from Washington [Mr. MAGNUSON], and the Senator from Oklahoma [Mr. THOMAS] are absent by leave of the Senate.

The Senator from Pennsylvania [Mr. MYERS] is absent on public business.

The Senator from Florida [Mr. PEPPER] and the Senator from Maryland [Mr. TYDINGS] are absent because of illness.

The Senator from New York [Mr. WAGNER] is necessarily absent.

The PRESIDING OFFICER. Eighty-two Senators having answered to their names, a quorum is present.

RESTRICTED LANDS OF THE CROW TRIBE—CONFERENCE REPORT

Mr. BALDWIN. Mr. President, I submit a conference report on Senate bill 1317, relating to restricted lands of the Crow Tribe, and I ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER. The conference report will be read.

The Chief Clerk read the conference report, as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1317) entitled "An act to give to members of the Crow Tribe the power to manage and assume charge of their restricted lands, for their own use or for lease purposes, while such lands remain under trust patents," having met,

after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House, and agree to the same with an amendment as follows: In lieu of the matter inserted by the House amendment insert the following: "That the last proviso of the first section of the Act of May 26, 1926, entitled 'An Act to amend sections 1, 5, 6, 8, and 18 of an Act approved June 20, 1920, "an Act to provide for the allotment of lands of the Crow Tribe, for the distribution of tribal funds and for other purposes," approved May 26, 1926 (44 Stat. 658, 659), be amended to read as follows: 'Provided further, That any Crow Indian classified as competent may lease his or her trust lands or any part thereof and the trust lands of their minor children for farming and grazing purposes; provided that any Crow Indian classified as competent shall have the full responsibility of obtaining compliance with the terms of any lease made; and provided further, that leases on inherited or devised trust lands having more than five competent devisees or heirs shall be made only with the approval of the Superintendent. Any adult incompetent Indian with the approval of the Superintendent may lease his or her trust lands or any part thereof and the inherited or trust lands of their minor children for farming and grazing purposes. The trust lands of orphan minors shall be leased by the Superintendent. Moneys received for and on behalf of all incompetent Indians and minor children shall be paid to the Superintendent by the lessee for the benefit of said Indians. No lease shall be made for a period longer than five years, except irrigable lands under the Big Horn Canal, which may be leased for periods of ten years. All leases made under this Act shall be recorded at the Crow Agency.'"

And the House agree to the same.

GUY CORDON,
ZALES N. ECTON,
CARL A. HATCH,

Managers on the Part of the Senate.

RICHARD J. WELCH,
FRED L. CRAWFORD,
JOHN R. MURDOCK,
WESLEY A. D'EWART,

Managers on the Part of the House.

The PRESIDING OFFICER. Is there objection to the present consideration of the conference report?

There being no objection, the report was considered and agreed to.

TWO HUNDREDTH ANNIVERSARY OF BIRTH OF GEN. CASIMIR PULASKI

Mr. CAPEHART. Mr. President, will the Senator from Nevada yield to me?

Mr. MALONE. I yield.

Mr. CAPEHART. Mr. President, I am wondering if, on this memorable day in Poland's history, the people of that nation are paying public tribute to that heroic Polish patriot and revolutionary soldier, Casimir Pulaski.

I am wondering about that tribute because 20 years after his birth in Podolia, Poland—200 years ago today—young Pulaski joined his father in open revolt against the foreign domination of Poland by Stanislaus II. Temporarily successful in his mission, Pulaski's forces for freedom were finally crushed, and he fled to Turkey in 1772. His spirit of freedom was not crushed, however, and he urged Turkey to fight Russian domination.

After his efforts failed there, Mr. President, freedom-loving Pulaski found his way to American shores, where he was welcomed into another fight for freedom.

Always anxious to do battle with the forces of imperialism, Pulaski rose to the rank of general, and fought courageously to make of America what he had hoped to make of his native Poland—a nation free of foreign domination. On October 9, 1779, he fell mortally wounded during the siege of Savannah and died 2 days later.

On this, the two hundredth anniversary of the birth of General Pulaski, we in America count it a duty and a privilege to pay our respects to a man whose own native land is today under the domination which he so completely abhorred.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. MALONE. Mr. President, the peace and safety of this Nation is seriously threatened at this moment through the complete absence of a definite foreign policy telling our own people and the nations of the world what we consider will threaten our ultimate peace and safety—and the complete absence of a military organization spearheaded by an air corps to enforce our pronouncement.

INTERNATIONAL POLICY

We have no basic international policy, having definitely ignored the 125-year-old Monroe Doctrine under which we had announced to the world in 1823 that we intended to protect the integrity of the nations, which we at that time considered necessary for our own ultimate safety—naming the areas to be protected.

In its place has been substituted a hodge-podge of executive orders and gifts of large sums of money to foreign nations, founded upon no principle at all and with no consistent thought as to where such actions might lead us in foreign entanglements.

BASIC SUBJECT NEVER DISCUSSED WITH THE AMERICAN PEOPLE

The basic subject of international policy has never been discussed with the American people, through two world wars and now the Marshall plan.

The basic subject at issue is now—and was in 1823 when the Monroe Doctrine was established—what nations in the European and Middle East areas including Asia and the South Seas is it necessary for us to currently protect for our own ultimate safety. Until this decision is made no plan to make it effective can be intelligently discussed.

When that issue is decided and the nations named whose integrity we must currently protect for our own ultimate safety—then we have the 125-year-old precedent for announcing to the world and to our own people that if the integrity of these nations is threatened in a manner to disturb the friendly and established trade relations, through infiltration or military attack, it will be

considered an overt act against the United States.

This pronouncement by President Monroe 125 years ago, later became known as the Monroe Doctrine.

Mr. WHERRY. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. CAIN in the chair). Does the Senator from Nevada yield to the Senator from Nebraska?

Mr. MALONE. I yield.

Mr. WHERRY. I am interested in the statement just made that we have no foreign policy. I do not know whether the Senator expects to develop that point in his speech or not. I have noticed in the press reports that we have marines in the Mediterranean, perhaps in connection with the question of the shipment of oil from Saudi Arabia to the continent, and the present situation existing in Palestine. Does the Senator know any reason for that in connection with a possible foreign policy on our part, or what does the Senator mean by his statement, in the face of the press reports we read every day?

Mr. MALONE. Mr. President, I thank the distinguished Senator from Nebraska for his question. I mean simply that we have no definite foreign policy in this regard. In other words, no one knows, least of all the American people and the United States Senate, what nations the State Department and the President of the United States feel it necessary for us to protect for our own ultimate safety, and no one has ever named the areas or the nations.

Mr. KEM. Mr. President, will the Senator yield?

Mr. MALONE. I yield to my distinguished colleague from Missouri.

Mr. KEM. It was said in the debate this afternoon that the President of the United States has indicated to other nations of the world that they must keep hands off Italy. Does that mean that he has extended the Monroe Doctrine in effect to Italy?

Mr. MALONE. The President did say that. He has said many things. He said, for example, early last year when we passed the bill giving \$400,000,000 to Greece and Turkey, that the purpose was to stop communism at the Greek border. At that very moment we were sending high octane gasoline, machinery, power machinery, and tool steel to Russia to help her cross the Greek border, if she so desired. Therefore, there has been no consistent policy, not with respect to Italy or Greece, or anywhere else.

Mr. WHERRY. Mr. President, if we have no foreign policy, what is the Marshall plan?

Mr. MALONE. I do not understand the Senator.

Mr. WHERRY. If we have no foreign policy, then why do we need the Marshall plan?

Can the Senator reconcile the two things?

Mr. MALONE. That is exactly what we are trying to find out—what the Marshall plan is supposed to do. It is said we are giving the money to the 16 Marshall plan countries in the hope that it will stop Russia. Stop Russia where?

And what will we do if we do not stop Russia at the designated place? That is what I want to find out if I can, for my own information.

In 1823 the empire-minded nations, including Spain, France, the Netherlands, and England, were looking toward South America for new areas to take over under the guise of protection—and to siphon the trade to the "mother" countries through imposing the well known "empire preferential rate" system. The Monroe Doctrine effectively stopped this trend and the South American nations are still free.

At that time we told the American people and the world frankly and specifically, through the Monroe Doctrine, what we considered would threaten the ultimate safety of the United States and what would cause us to fight, and as a result we were not involved in a major foreign war for more than 75 years.

THE MONROE DOCTRINE—125-YEAR-OLD INTERNATIONAL POLICY

We have, or rather had, an international policy, established in 1823 by President James Monroe, 125 years ago, known as the Monroe Doctrine. However, this important and well-established doctrine, which kept us out of a major war for more than 75 years was discarded 15 years ago, probably as being too simple and direct—certainly too effective to be successfully manipulated in plain sight of the American people.

This Nation has since had no clear-cut international or national policy.

We backed into the two world wars unprepared and protesting that we would not fight, evidently under the impression that the American people and the Congress of the United States could not be trusted to understand the necessity of protecting the integrity of the European countries for our own ultimate safety, or to judge the necessity of such protection. Certainly that assumption can no longer be held with 18,000,000 veterans in this country, including one-third of the Membership of Congress.

Unfortunately, two leaders of a major world power believed us during the past 30 years, the Kaiser and Mr. Hitler—and in addition each time they decided that in any case we could not prepare for war in time of influence its outcome. Therefore, we found ourselves each time in a bitter all-out world war.

If the decision should be, after a full review of the modern methods of warfare, that it is not necessary to protect the integrity of other areas, then we should come home and cease all interference with other nations' affairs, and build a military force spearheaded by an air corps that no nation or combination of nations dare attack, and tell our people frankly that this must be done until the United Nations takes over.

Mr. ECTON. Mr. President, will the Senator yield?

Mr. MALONE. I yield to my distinguished colleague from Montana.

Mr. ECTON. I am very much interested in what the distinguished Senator from Nevada has to say respecting the Monroe Doctrine. I would very much appreciate if he would explain in a little more detail whether he is in favor

of extending the Monroe Doctrine, or re-instating it, in view of the fact that he said the Monroe Doctrine was done away with about 15 years ago.

Mr. MALONE. I thank the distinguished Senator from Montana for his question. My answer to it is simply that the Monroe Doctrine policy should be continued. There should be a frank discussion about it with the American people. We should frankly tell our own people and the world exactly what areas, and name the nations, which we consider we should protect currently for our own ultimate safety in the same manner as President Monroe handled a similar situation in 1823.

In other words, let us not back into another war as we have hacked into two world wars. The Senator from Montana is as old as I am, and he remembers that in 1916 we reelected a President on the theory that he had kept us out of war. We were in war at that moment, and everyone knew it the day after election, and the President knew it at that moment. The same thing happened in 1940; we reelected a President when he was at that moment in war and knew it, but denied it. In answer to my distinguished friend and colleague from Montana I will say that I am in favor of telling our own people and the world the truth, and giving them the chance to conform.

Mr. BALL. Mr. President, will the Senator yield?

Mr. MALONE. I yield.

Mr. BALL. I think the Senator is touching on a very vital problem in foreign relations development of an American policy today. I wonder if he would tell us whether he thinks, if the Government of the United States decides that the integrity and independence of certain nations in Europe, let us say, are essential to our ultimate security, it would be sounder policy to make a declaration to that effect unilaterally through a new Monroe Doctrine, a doctrine which was, after all, an American pronouncement in which the other nations in the Americas did not participate, or to work out some mutual declaration of some sort.

Mr. MALONE. In answer to my distinguished friend, the Senator from Minnesota, I would say that it would be a very fine thing to enter into bilateral treaties with each of the nations, as we have finally been able to do with the countries of South America. But that might take more time than we have available now. If, as we see in press reports, and as we hear whisperings going through the colleges, prompted by the State Department and whisperings in Rotary clubs and in various places, we are seriously threatened with war, and that, therefore, we must not delay the establishment of the great Marshall plan, then we must make up our minds as to what area it is necessary for us to protect now, and announce that we will protect that area and name the nations—giving possible violators a chance to change their minds.

Further, it seems to me that this is a two-edged proposal. The first two world wars were started by people who thought

we would not fight. On investigation they thought we could not fight. Therefore we ought not to give a probable opponent an opportunity to start a fight, without knowing what we will do—knowing our intentions.

Mr. BALL. Mr. President, will the Senator yield?

Mr. MALONE. I yield to my colleague from Minnesota.

Mr. BALL. The Senator fought in both world wars. Is it his opinion that the security of the United States would immediately be dangerously threatened—so dangerously as to justify immediate armed action—if Soviet Russia, either through the establishment of Communist governments in various countries or by outright aggression, took over all of western Europe and effectively controlled it and its resources?

Mr. MALONE. Let me say to my distinguished colleague from Minnesota that I am not in a position to answer the question, because I do not have all the information which the Secretary of National Defense should have, which the State Department should have, and which the President of the United States should have. Such information should be furnished to the Committee on Armed Services of the House and Senate, this is the decision of our generation. Whoever has such information—and if those to whom I have referred do not have it they are not fit persons to hold such positions—should make the decision, and make it now, if we are threatened to as great an extent as they claim. They should make the decision and inform the American people and the world.

What is it that is proposed under the Marshall plan, and what is the propaganda which is going out over this Nation? Tons of it are going out almost every day, from every department of government.

It is proposed under the Marshall plan to discuss in one breath the feeding of hungry people, the stopping of communism, and the rehabilitation of industry. The result is that we mix our emotions with the facts and become unwilling victims of the greatest propaganda machine ever set up in Washington. Any intelligent discussion is impossible unless we consider these subjects one at a time.

Mr. REVERCOMB. Mr. President, will the Senator yield?

Mr. MALONE. I yield.

Mr. REVERCOMB. I am very much impressed with the break-down of thought expressed by the Senator and the triple-barreled appeal which is being made under the Marshall plan, first, for the feeding of hungry people; second, for stopping the spread of communism from Russia; and, third, rehabilitation of the governments of the countries which would be helped.

I believe it to be the natural impulse of the heart of America to go to the aid of people who are hungry and in need of shelter and medicine. That is a problem which we have always met. As I see it, meeting communism today is more or less a matter of meeting force with force.

The rehabilitation of industry is an entirely different question. It is a mat-

ter of business. Certainly there is a vast difference, both in the nature of the help and in the objective, between looking after needy people and rehabilitating the industry of a country. One involves an appeal because of immediate need to prevent starvation and physical suffering. As I say, the other is a matter of business. I shall be glad, indeed, to hear the Senator upon that question, particularly with respect to rehabilitation of industry, and whether or not this country can afford to give away its wealth to rehabilitate the industry of another country. Is not the building up of industry a subject which should be placed upon a business basis, upon some level which would call for a return, just as we deal with business problems in this country?

Mr. MALONE. I agree with the Senator entirely.

Mr. KEM. Mr. President, will the Senator yield?

Mr. MALONE. I yield to my friend the Senator from Missouri.

Mr. KEM. I should like to ask the Senator from West Virginia if it is not true that the Marshall plan contemplates raising the production of various countries under the plan above any level heretofore attained in the history of those countries.

Mr. REVERCOMB. I do not know what level would be reached, but it would be at the expense of the American people if industries in other countries were built up. I say that it is all right to assist, if need be, but let the assistance be upon a businesslike basis, rather than as a gift.

Mr. KEM. To be more specific, I have heard it stated that production in England in certain lines today has already attained prewar levels.

Mr. REVERCOMB. Yes.

Mr. MALONE. The recovery of England upon a basis of the 1937 industrial index is 115 percent.

Mr. KEM. Is it true that the plans contemplate levels much above that?

Mr. LODGE. Mr. President, will the Senator yield?

Mr. MALONE. I yield.

Mr. LODGE. Commenting upon what the Senator from Missouri and the Senator from West Virginia have said, I think it is noteworthy that it is expected that between 20 and 40 percent of the amount provided in the bill shall be used for loans. That means bankers' loans, and not the sort of "fuzzy" loans which have been made in connection with some past transactions, and which could not be distinguished from grants. I believe that such loans will probably cover most of the plans for construction of plants, and things of that kind. We shall get all our "bacon" back.

The Senator from West Virginia has stated that the only way to meet communism is by armed force. I should like to ask him how we can deal with communism by armed force when what we are afraid of is the Communists winning an election in a country, and thereby putting it at the mercy of the Russian fifth column. How can we deal with such a situation by force? I do not believe that weapons are very effective in that kind of a situation.

Mr. REVERCOMB. If weapons are not effective, certainly the methods which has been used is not effective, because after spending some \$22,000,000,000 in Europe, within the past few days we witnessed a bloodless coup in Czechoslovakia. The people of Czechoslovakia themselves adopted communism without force of arms. That is correct in that instance; but if we are going to prevent communism from moving in, if the Communists are going to move in and take those countries over by force, they should be met by force. However, if the people of those countries desire communism, nothing can stop them. We could not have stopped them in Czechoslovakia.

Mr. LODGE. It occurs to me that if we had not expended all the food, fuel, and medical aid which we have given since the war, there would be a great deal more communism in Europe today than there is.

Mr. REVERCOMB. Of course, that is a surmise.

Mr. LODGE. That is a surmise; but if this bill were entirely restricted to food and immediate relief, it would seem to me to involve much too much money to give for that purpose. Unless the bill could achieve some permanent change for the better, unless at the expiration of operations under the bill there could be a better condition existing in Europe than we have today, unless we do more than go back to the level of 1938, unless we have real rehabilitation instead of relief, I do not think this program is worth carrying out.

Mr. KEM. Mr. President, will the Senator yield?

Mr. MALONE. I yield.

Mr. KEM. I should like to ask the Senator from Massachusetts a question. Several times during the course of this debate he has referred to the possibility of our getting back a substantial portion of the money which we are advancing under the Marshall plan. He has also referred to a certain class of loans or advances which he characterizes as "fuzzy." I should like to ask him about some of the past transactions.

A number of years ago a delegation came here from Britain, headed by Mr. Arthur James Balfour. After considerable negotiation they entered into a settlement of the debts of Great Britain to this country. Those debts were evidenced by documents as binding as any known to the Anglo-American system of law. So far as I know, those obligations have passed into the limbo. They have never been paid. I ask the Senator from Massachusetts if he would characterize them as "fuzzy" or "unfuzzy"?

Mr. LODGE. In the light of experience, it seems to me that they were extremely "fuzzy." I should like to say to the Senator that in this bill we have tried as hard as men can try to avoid the mistakes of the past. I know there have been a great many mistakes in the past. My able friend, the Senator from Nevada, who is yielding so generously, showed us one day a can of olives that he found being sold on the streets of Athens, in a country where olives are raised.

We have tried to set up this program in such a way that we shall avoid the mistakes of the past, and we have tried to

get into this bill language which will result in returning to us something tangible—not merely to provide for the payment of these loans, but to provide that we shall get strategic raw materials by barter, in exchange for our aid, thus giving us something we need.

Of course, Mr. President, I consider the intangibles which we shall get as the result of the program under the bill to be even more significant. I think the bill will buy us some time; and if we have the vision to use wisely the time we buy, that will be worth more than all the tangible things in the world.

But the bill is set up so that all that can be done.

Mr. KEM. Mr. President, can the Senator from Massachusetts suggest to us a standard by which we can determine whether the undertaking is "fuzzy" or not so "fuzzy"?

Mr. LODGE. Yes. We spent a month, recently, on the St. Lawrence seaway, as the Senator recalls. If it is decided to set up a great international power project in four or five of these European nations, binding them together and getting the maximum benefit out of the natural resources of those regions, and if that project is in truth a self-liquidating project as to which there is set up an ironclad system for paying back everyone, I think that would not be a "fuzzy" project; and if we have an administrator who believes firmly that we should have loans that are loans and gifts that are gifts, I do not think that will be a "fuzzy" project.

I do not think there will be any "fuzzy" projects under this bill, Mr. President.

Mr. KEM. Mr. President, several years ago our British friends got from us \$3,750,000,000.

Mr. LODGE. I was not responsible for that.

Mr. KEM. Would the Senator from Massachusetts characterize that as fuzzy or unfuzzy?

Mr. LODGE. I was not a Member of Congress at that time; but I would not characterize it as a banker's loan or as the kind of loan that will be repaid.

Mr. KEM. Mr. President, I should like to ask the Senator from Massachusetts a further question—

Mr. LODGE. I shall be glad to answer, if the Senator from Nevada does not object to further interruptions.

Mr. MALONE. I yield.

Mr. KEM. Some years ago we put some billions of dollars into a pot known as the Bank of International Settlements, or something of that sort. Would the Senator from Massachusetts characterize it as a fuzzy or an unfuzzy undertaking?

Mr. LODGE. I do not happen to know much about that.

Mr. REVERCOMB. Mr. President, will the Senator yield to me?

Mr. MALONE. I yield.

Mr. REVERCOMB. I wish to address an inquiry to the Senator from Massachusetts. I know he is an able member of the Foreign Relations Committee. He has brought out the point that some of this money is to be in the nature of bankers' loans. I believe he said 30 or 40 percent would be. I wish to ask the Senator whether the terms of this bill

require that that be done, or would not it be left largely to the discretion of the Administrator to determine just what shall be done in that respect and when it may be done?

Mr. LODGE. Yes; it is to be discretionary with the Administrator. But we have had the testimony of all the responsible Government witnesses that they will try to do it.

Mr. REVERCOMB. Yes. In other words, there is no requirement whatsoever on the part of the Congress that these loans shall be sound loans; is there?

Mr. LODGE. No.

Mr. REVERCOMB. There is simply the statement that the Administrator, if he sees fit to do so, may do it. To use the term that has been used so descriptively, when we deal with administrators those loans might be quite fuzzy; might they not?

Mr. LODGE. I think the Senator's statement is quite correct when he says that in this bill there is nothing which stipulates how much of the money shall be expended in the form of loans. But I sincerely think the Senator need not worry whether the loans will be fuzzy loans. I do not think they will be fuzzy loans.

Just what percentage of the total amount the loans will be, is another matter.

Mr. REVERCOMB. There is no requirement in the bill as to how much of these funds shall be loans; is there?

Mr. LODGE. That is true.

Mr. REVERCOMB. So the Administrator may in his own discretion give all of it away; may he not?

Mr. LODGE. I think that is true.

I repeat that I think the program under this bill will either rise or fall on the question of whether we have a really top man as the Administrator.

Mr. REVERCOMB. I should like to ask a further question, and I thank the Senator from Nevada for permitting me to interrupt at this point.

First, I say to the Senator from Massachusetts that there is one way to give protection, and that is by requiring in the bill what shall be loans and what shall be gifts. The Congress has that power.

Mr. LODGE. The Congress certainly has that power, but it is extremely difficult to write into the bill language that will not hamper the national interest of our country 10 or 11 months from now.

Mr. REVERCOMB. Has not one of the great difficulties, not only in our international relations; but in respect to our domestic laws, been too much vagueness in legislation? Should not the bill specify how much of the aid shall be in the form of loans and how much of it shall be in the form of gifts?

Mr. LODGE. Of course we could specify that 30 or 40 percent should be in the form of loans, and we could spell out what the loans should be for. In general, I am in sympathy with what the Senator from West Virginia says about legislating in a definite way and spelling out everything. But all of us have seen the European situation develop, just since January, in the most surprising and unpredictable way.

Every time we try to legislate on the international situation, we get into trouble. After we passed the Neutrality Act, as we did in 1937, thinking it was a fool-proof way to keep out of war, there was not a Member of the Senate who, 2 years later, did not sincerely wish we had not done it.

So I think it is impossible to shackle ourselves and prevent ourselves, in advance, from having freedom of action in regard to the foreign field.

Mr. MALONE. Mr. President, is the Senator suggesting dictatorship?

Mr. LODGE. No; and I do not think I have said anything that could be interpreted as suggesting it.

Mr. CAPEHART. Mr. President, I should like to go a little further than the Senator from Massachusetts has gone, and to make the point-blank statement on the floor of the Senate that every international scheme we have entered into during the past 30 years has been an outright failure. I agree with the Senator that in a few years after we enter into such a scheme, we are sorry we have done so. I also state that I am entirely in agreement with the Senator's statement with respect to rehabilitation and the long-range aspects of this bill.

Mr. President, within the next 48 or 72 hours I shall introduce a bill which will take the fuzziness out of these loans, and will put them on a sound basis, and will spell out exactly what is to be used for long-range loans and exactly what is to be used for gifts. I, for one, think the time has arrived—

Mr. BALDWIN. Mr. President, will the Senator yield for a question of the Senator from Indiana?

Mr. MALONE. I yield.

Mr. BALDWIN. Will the bill the Senator from Indiana proposes to introduce be based upon the factual study of any commission or committee?

Mr. CAPEHART. It will be based upon the common horse sense of an American individual, and on the policy this Nation has used for the past 15 years, and it will be based on a premise and on law, a tried and proven formula which we have used in our own Nation for the same thing we are proposing to do for these foreign countries.

Mr. BALDWIN. What is the agency or committee or commission which has provided the figures on which the Senator's proposal will be based?

Mr. CAPEHART. It is the whole study made by the Herter committee, which has been used by all the committees which have taken action on this subject.

Mr. MALONE. Mr. President, if the Senator from Connecticut would like to stay on the subject we have been discussing, I shall be glad to yield further; but I think we are going too far afield.

Mr. BALDWIN. I simply wish to make this comment: As I understand it, the estimate of from 20 percent to 40 percent repayment of loans is not only based on the studies made by some branches of the Government, which are in fact arms of this very Congress, but also is based in part upon representations which these people in Europe made when they got together at the Paris Conference. I think there is some virtue in the

fact that in their representations they did not say, as some might have said, "We will be able to pay back all these loans, or 90 percent of them, or 75 percent of them, or 50 percent of them." I think the fact that they indicated they might be able to pay back so little is good evidence of their earnestness and their truthfulness. In my opinion, in order to be realistic we might better be advised as we consider the question whether or not we shall pass this legislation that, after all, the representation is that probably not more than 20 to 40 percent will be repaid. That is based upon not only their representations but upon our own figures. I thank my distinguished friend for permitting me to make that statement.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. MALONE. I yield to my friend the Senator from Vermont.

Mr. AIKEN. Mr. President, let me say first to my friend the Senator from Nevada that it is very likely I shall disagree with the conclusions which he may draw in his speech, but a point has been raised as to which I think there should be a clear understanding. The point was raised by the junior Senator from Massachusetts. He says we may expect a large part of the money to come back to us in the form of raw materials and thus to be repaid for our expenditures. As I look at the map I am wondering how much hope there is in that direction, what raw materials we may expect to receive from Italy, France, Portugal, Belgium, the Netherlands, or Greece.

Mr. LODGE. The map, I may say to the Senator from Vermont, does not show the empires of the various countries. The bill covers the French Empire, the Dutch Empire, and the British Empire which possess vast quantities of materials which would be useful to us.

Mr. AIKEN. That is just what I feared. The only conclusion to draw is that the Senator thinks the future welfare of the world will depend on the European countries keeping vast areas and vast populations under control as colonies.

Mr. LODGE. No; I do not think that. I, personally having been in those countries, should like to see them develop independence, dominion status, and so on. Under those conditions there, I think there would probably be an even better chance of developing the raw materials than there is now, because we would have the good will and the desire of the people there to supply these resources. I do not think the bill in any way promotes imperialism in the empires. If it did, I should not be for that.

Mr. AIKEN. The point I should like to make is that if repayment is expected, we must expect it largely in the form of manufactured goods. We should face that fact.

Mr. LODGE. No; I do not think that is true at all, I may say to the Senator.

Mr. AIKEN. I do not think we should expect the Javanese to work for 8 cents a day for the Dutch in order to enable them to repay our loan. I should rather give the Dutch the help.

Mr. LODGE. The bill is very specific on that point, I may say to the Senator. It does not say manufactured goods. It says strategic materials.

Mr. AIKEN. Why should they not pay in manufactured goods as well as in raw materials and agricultural products, which will cut into another segment of our economy?

Mr. LODGE. It does not say agricultural products, either, if the Senator will bear with me. It merely says strategic raw materials. That, of course, is a well-known term developed by the Army and the Navy, and it applies to certain minerals and materials which we do not have in this country.

Mr. AIKEN. Would that include wool and rubber, the two largest agricultural products?

Mr. LODGE. I do not think wool is listed as a strategic raw material.

Mr. AIKEN. It should be.

Mr. LODGE. I do not think it is found on page 29, line 21, which says:

(5) facilitating the transfer to the United States by sale, exchange, barter, or otherwise for stock-piling purposes, for such period of time as may be agreed to and upon reasonable terms and in reasonable quantities, of materials which are required by the United States as a result of deficiencies or potential deficiencies in its own resources, and which may be available in such participating country after due regard for reasonable requirements for domestic use and commercial export of such country.

Mr. KEM. Mr. President, will the Senator from Nevada yield?

Mr. MALONE. I yield.

Mr. KEM. It has been said by the Senator from Connecticut that the CEEC countries estimated they would be able to pay us from 20 to 40 percent of the amount we are asked to advance them. With that in mind I looked at the report of the Paris Conference, and the only thing I found under the index of repayment was the statement that "the problem of repayment is beyond the scope of this report."

Mr. LODGE. Yes; but if the Senator from Nevada will permit one more interruption, we have gone beyond that; we have written this language into the bill, and any nation that signs an agreement under the bill agrees to it. For the benefit of Senators who have taken part in this debate, and particularly the Senator from Vermont, I should like to call his attention to page 162 of volume 1 of the hearings, in which are listed the possible production increases and stock-pile acquisitions of selected strategic materials. I asked the executive branch of the Government for the information, and it is in this volume. It might be of interest to Members of the Senate to examine it.

Mr. KEM. Mr. President, if the Senator from Nevada will yield further, I have one more question. Do our business transactions with any of the European nations with the exception of Finland indicate the possibility that we can deal with them otherwise than on a "fuzzy" basis?

Mr. LODGE. I think Eire will pay us, just as well as Finland.

Mr. KEM. With the exception of those two countries, we are on notice that the engagement may deteriorate into a "fuzzy" one; is that correct?

Mr. LODGE. I think it is true that we have gone through a long period in which a number of other countries did not pay their debts, but history does not always repeat itself. There is such a thing as optimism, there is such a thing as a silver lining, and there is such a thing as a real, capable financial administration of this program which will see to it that the loans are really loans. I personally think we are going to get it.

Mr. KEM. There is such a thing as patience ceasing to be a virtue, too, is there not?

Mr. LODGE. Perhaps so.

Mr. MALONE. Mr. President, I think some of the problems about which the debate has centered will be answered from my standpoint by a continuation of the address. I would say to my distinguished colleague from Massachusetts, however, while the subject is under discussion, that he referred to the St. Lawrence waterway. That bill was not passed; therefore, we do have something to say about it. The same thing applies here. I should like to see included in the bill some specific rules which I shall describe later, that would apply to a percentage of the loans for the rehabilitation of industry in the same manner that I desired a Chief of Army Engineers report on the St. Lawrence waterway project before I was forced to a decision; we sent it back to committee.

Mr. LODGE. Mr. President, I do not like to interrupt the Senator.

Mr. MALONE. I am happy to yield.

Mr. LODGE. I should like to read one short paragraph from the committee report, which I think is pertinent:

While recognizing that a definitive answer cannot now be given to the question as to what percentage of assistance will be financed by loans and what percentage by grants, the committee believe it desirable to obtain an estimate. In response to its inquiry the National Advisory Council has estimated that, roughly, 20 to 40 percent of assistance will be in the form of loans, while 60 to 80 percent will be grants. Without attempting to make a determination, it is probable that in the early stages of the program the countries will be divided into four classes: (1) Countries such as Switzerland and Portugal, which will pay cash for commodities received—

In other words, they will pay dollars— (2) countries to which assistance will be furnished by loans; (3) countries, like Austria and Greece, where assistance will be entirely by grants; and (4) countries, like France and Great Britain, where assistance will be partly by loans and partly by grants.

Mr. MALONE. Mr. President, I would just say in passing that we have a perfect 30-year record in reference to England and France, and right in the record proof that England and France made no repayment of any loan they have ever received over that period that equaled the interest on that loan.

Mr. REVERCOMB. Mr. President, will the Senator yield?

Mr. MALONE. I yield to the Senator from West Virginia.

Mr. REVERCOMB. I shall not take any more of the Senator's time, if he will permit me to make one inquiry, which is based upon a statement by my friend the junior Senator from Massachusetts about his belief that the moneys expended and to be expended would help prevent the spread of communism in certain countries. I am very much interested in that subject, and I am interested in it generally in connection with reaching a conclusion on the pending measure. The Senator expressed the belief, to which I referred in passing as perhaps a surmise, that the money already advanced and loaned to certain countries had kept out communism. Certainly the Senator would not apply that to moneys advanced to the United Kingdom, would he? We do not believe for a minute that communism would have swept the united countries in the British Isles.

I will say that among those countries which are to be helped I notice Iceland, Ireland, the United Kingdom, The Netherlands, and Portugal are to receive moneys. The argument is being made that the purpose is to prevent communism from taking possession of those countries. I say to the able Senator from Nevada that I am impressed at this time with the fact—and I wish that someone would throw some further light on it—that the countries which I have named are not in danger of communism. I have seen no indication of communism taking over the United Kingdom, Iceland, Ireland, or Portugal.

Mr. LODGE. Will the Senator from Nevada permit me to answer that statement?

Mr. MALONE. I yield to my friend, the Senator from Massachusetts.

Mr. REVERCOMB. If money is to be loaned for that purpose, why is it that they are to receive such large grants, particularly the United Kingdom?

Mr. LODGE. I will say to my friend from West Virginia two things. First, some of the countries he has mentioned will not receive any loans or any grants, but will be required to pay cash for everything they receive. Some of the other countries will receive loans but will receive no grants at all.

Secondly, if we hope to see the economic integration of Europe, the creation of a joint organization, and the development of that area into a single unit which is strong and rich, where the present subdivided small units are weak and poor, we must in our plan include all of the countries in that area, whether they took part in the war and whether they were our allies. That is why some of those countries are included. I do not think we can merely spend money and stop communism. I do not think it is as simple as that. But I do think that one of the things that make men turn to the Communist doctrine is the fact that they have no hope for the future. Therefore, if we are trying to prevent the advance of communism by political means—I am not speaking of force—it stands to reason that one of the effective ways to do it is to give them some hope for the future. It is in that respect that I think this bill, if enacted, and if it is intelligently administered, will tend to pre-

vent the advance of communism, because people will feel that it gives them some hope for the future, some chance to develop themselves, some chance to turn the crank and get the engine going again. Of course, if there is no engine, it does no good to turn the crank.

Mr. REVERCOMB. The Senator from Massachusetts made the statement that some of the countries which I have mentioned will not receive relief under the proposed legislation. With the possible exception of Ireland, I want to go over the list of those countries, so that the Senator may advise me. Of course, I am following the report as to which countries I name will not receive relief. Certainly the United Kingdom and dependencies will receive some relief.

Mr. LODGE. They will receive some grants and some loans.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. MALONE. I yield to my distinguished colleague from Nebraska.

Mr. WHERRY. I should like to inquire of the distinguished Senator whether or not he wishes to conclude his remarks this afternoon. It is now 3 minutes to 5. We have had a long session this afternoon. I am wondering if it would meet with his approval to take a recess, with the understanding that he may proceed tomorrow and be permitted to finish his remarks at that time.

Mr. MALONE. I should like to finish the subject which is now under discussion, which will require about 5 or 10 minutes.

Mr. REVERCOMB. Mr. President, will the Senator yield further?

Mr. MALONE. I yield.

Mr. REVERCOMB. I was addressing a question, with the permission of the Senator from Nevada, to the Senator from Massachusetts, with reference to the countries I had named which will receive relief, and the Senator expressed the view that some of them would not receive relief. We talked about the United Kingdom, which will receive relief. As it is set forth in the report, that relief will amount to perhaps a fourth of the total amount to be appropriated.

Mr. LODGE. I do not think that is quite an accurate statement. The matter of which countries shall receive loans and grants, and the proportion of loans and the proportion of grants with respect to each country, cannot be foretold at this time with mathematical accuracy. It will be a matter for the Administrator to decide in each case. He will have to make up his mind how much a country can repay. It is obvious that in the case of certain countries they can repay all the money which has been loaned them, and it is obvious that in the case of other countries they will have to pay for everything they receive. In the case of most of the countries it is not possible to say how much of the amount will be loans and how much will be grants.

Mr. REVERCOMB. If the Senator will further yield, I want to call the attention of the Senator from Massachusetts to page 47 of the report, referring particularly to table 2, which is a recapitulation of illustrative distribution

between relief-type and recovery-type commodities and services financed with new United States Treasury funds and imported by the participating countries from the western Hemisphere, April 1, 1948, to June 30, 1949. Is not that an estimate?

Mr. LODGE. That is an illustration. I do not consider that it binds the Administrator.

Mr. REVERCOMB. Mr. President, will the Senator yield further?

Mr. MALONE. I yield.

Mr. REVERCOMB. There has been evidence before the committee as to what will probably be sent to each of the countries involved, and it appears in the report of the committee. I note that the United Kingdom and its dependencies, out of the total amount of \$4,899,100,000, is to receive \$1,490,900,000.

Let us turn to the other countries mentioned a while ago which will receive relief. In looking at that table, does it not appear that Belgium will receive relief?

Mr. MALONE. Two hundred and fifty-two million for that country.

Mr. REVERCOMB. And Denmark?

Mr. LODGE. They are to get some relief-type commodities, but I do not think it could be called relief. The purpose of the bill is recovery, and not relief. Obviously people cannot start working unless they eat and unless they have heat, but the purpose of the bill is not relief, it is a recovery bill, and I personally regard the use of the word "relief" as not entirely accurate.

Mr. REVERCOMB. Mr. President, I want to clear up the little exchange, and a very pleasant one, between the Senator from Massachusetts and myself when I mentioned countries that were not beset with communism, which would receive the contemplated help. I mentioned Belgium, Denmark, Iceland, Ireland, the Netherlands, Portugal, Sweden, Switzerland, and the United Kingdom.

I find that, according to the report, it is contemplated that all of them will receive relief under the pending measure, and I call attention to page 47 of the report.

Mr. LODGE. They will receive relief-type commodities, but that is not at all the same thing as receiving relief, in my opinion. We have to decide whether we are going to embark on a program which includes all these nations of western Europe in an over-all recovery effort out of which we hope will come a new integration of Europe, something strong and better than we have had before, or whether we are just going to take certain countries and give them piecemeal soup-kitchen treatment, so that at the end of the program they will be no better off than they were at the beginning. If we are to do something comprehensive, which will get us up out of the rut and onto the high ground, then I think we have to have a plan which will include the whole of Europe, because one European country's economy is dovetailed into the economy of another. For centuries one country has been dependent on the economy of the other, and there cannot be any kind of European

recovery without treating all the countries as a unit.

Mr. MALONE. Mr. President, to throw a little light on the debate just concluded between my distinguished colleagues from West Virginia and Massachusetts, the best estimate we can get from the references shows that France is to get \$1,119,000,000 from the \$5,360,000,000, and the United Kingdom is to receive \$1,378,000,000. That is the estimate for the first 12 months, and it speaks for itself. It is roughly \$2,500,000,000 out of this \$5,360,000,000 or about 50 percent.

Mr. REVERCOMB. Would the Senator mind putting into the RECORD the names of the other countries, in view of the exchange and discussion which has just preceded the Senator's last statement?

Mr. MALONE. I submit for the RECORD, Mr. President, a table showing 16

nations benefiting under the Marshall plan. It shows their population, their area in square miles, and their allocation under the Marshall plan. That is the best estimate I can get from the Foreign Relations Committee hearings and other reliable documents. It also shows the Index of Industrial Recovery, 1937 being considered 100 percent, and the financial aid per capita.

As long as I have mentioned France and England, I may say that this table shows that the United Kingdom is now 115 percent recovered, compared to the industrial index of 1937. It shows that France is 106 percent recovered on the same basis.

I submit the table for the RECORD.

The PRESIDING OFFICER. Is there objection?

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Country	Population	Area	Allocation under Marshall plan (12-month period)	Index of industrial production (1937=100 unless otherwise noted)	Financial aid per capita
		<i>Square miles</i>			
Austria	7,000,000	32,369	\$142,000,000	¹ 50	\$20.3
Belgium and Luxemburg	8,687,000	12,774	252,000,000	² 84	29.0
Denmark	4,024,000	16,575	128,000,000	³ 117	30.9
France	39,700,000	212,659	1,119,000,000	⁴ 106	28.2
Greece	7,788,000	50,257	145,000,000	⁵ 75	18.7
Iceland	127,800	39,709	10,000,000	(⁶)	78.0
Ireland	2,989,700	27,137	119,000,000	⁷ 109	40.0
Italy	45,800,000	119,800	680,000,000	⁸ 80	14.8
Netherlands	9,090,000	12,862	550,000,000	⁹ 90	61.0
Norway	2,937,000	124,556	27,000,000	⁷ 122	9.2
Portugal	8,132,900	35,466	None	(^{10 11})	-----
Sweden	6,674,000	173,347	26,000,000	⁷ 107	3.9
Switzerland	4,265,700	15,737	None	^{12 13} 101	-----
Export				^{12 13} 105	-----
Import				(^{14 15})	-----
Turkey	18,971,300	294,416	None	⁷ 115	29.8
United Kingdom	47,889,000	94,279	1,378,000,000	⁷ 115	29.8
Western Germany (United States, United Kingdom, French zones)	45,417,200	96,300	¹⁰ 784,000,000	⁷ 17 42	17.3
Total	259,495,600	1,348,243	5,360,000,000	-----	-----

¹ State Department, European Recovery Plan, Country Studies, Austria. Estimate, 1947.

² Monthly Bulletin of Statistics (United Nations, January 1948 issue): September 1947.

³ International Financial Statistics, January 1948; p. 63.

⁴ International Financial Statistics, September 1947.

⁵ State Department, European Recovery Plan, Country Studies, Greece (1939=100).

⁶ No data.

⁷ Hearings, Senate Foreign Relations Committee, pt. 3, p. 1222. (Figures: End of 1947.)

⁸ State Department, European Recovery Plan, Country Studies, Italy.

⁹ State Department, European Recovery Plan, Country Studies, Netherlands (second quarter, 1947).

¹⁰ State Department, European Recovery Plan, Country Studies. (No general industrial index available.)

¹¹ Full capacity.

¹² House Committee on Foreign Affairs Publication, entitled "Background Information on European Countries." (Restricted.) Aug. 21, 1947.

¹³ 1938=100.

¹⁴ State Department, European Recovery Plan, Country Studies, Turkey.

¹⁵ Above prewar.

¹⁶ Including Saar.

¹⁷ United States zone, 48; United Kingdom zone, 37.

Mr. MALONE. As long as the Senator from Massachusetts has brought up the matter of strategic minerals, I should like to say that I happen to have worked on the matter of strategic minerals for about 25 years. I believe I was the first one to go to the Secretary of War in 1936 and 1937, Harry Woodring then being Secretary, and propose a definite program for purchase and stock-piling of those materials, and I have worked on the program almost continuously since that time.

In all the proposals which have been made at random, it has never been proposed, to my knowledge, that nations pay their debts through the production and turning over to the United States of strategic materials without cost, that they give them to the United States. We are always to buy these materials. Let

me call the attention of the Senator from Massachusetts to this fact. I know that the suggestion has been made from time to time that we are going to be given these materials, but we have always bought for the stock pile and paid cash for them.

Mr. LODGE. Mr. President, will the Senator from Nevada yield?

Mr. MALONE. I yield.

Mr. LODGE. I agree with the Senator that in the early stages of the program we would buy these minerals, but I think that if it were not for this bill we probably would not be able to buy them, for two reasons. First of all, we would not get the priorities; the nations would keep the materials for themselves. Secondly, if it were not for this bill, there would not be the exploitation and the development of the materials. So, even if the bill provided only for the sale, I think it would

be advantageous. In addition, it provides for barter, and I think the barter provision is going to be very effective over the years, but I agree not in the first 2 or 3 years.

Mr. MALONE. Then the Senator agrees with me that it will not be effective the first 2 or 3 years, and this is only a 4-year program.

Mr. LODGE. I think the barter provision probably will not be effective the first year. I think the sale provision will come into effect right away, and I think it is very advantageous to us. It is very easy to say, "All this bill provides is that they will sell us the raw materials," and at first blush that does not look like much, but from the talks I have had with men like the Senator from Nevada, who have spent their lives in this field, I think it means a great deal. It means we will get priority in obtaining these things, and it means they will develop natural resources, which they would not otherwise do.

Mr. MALONE. Just further to clarify the atmosphere, we have had provisions in other loans. Many of the Senators present remember about the loan to Britain of \$3,750,000,000. I was not a Member of the Senate at that time, but there were many provisions in the loan, such as the Empire preferential rates provision, and other conditions which vitally affected this country, and which never have been thoroughly discussed on the Senate floor since I have been a Member of this distinguished body.

It will be remembered that, following the loan, English representatives went to the State Department for relief from carrying out the provisions of the act and were then and there relieved from the provisions of the loan that did not fit into their plans, without again submitting the matter to Congress in any way whatsoever.

No conversation has ever developed which would prove to anyone that we would be given these materials under the Marshall plan bill for the simple reason that the producers of these materials, just as producers in the United States, have to pay their help, they have to pay their workers, and if they make 5 percent as a net profit that is a good net profit, perhaps, as it is in the United States. How many of these strategic and critical materials and minerals must we consume in this country to get back any reasonable portion of the debt? If we got the entire profit of 5 percent, it would take \$150,000,000,000 worth of strategic and critical minerals and materials to pay one-third of the debt, or \$6,000,000,000. Therefore, it is not practical, and it would not be done under any conditions that can now be projected. It is simply a pleasant dream. It has been my ambition to answer this often propounded question on the Senate floor for many years. I thank the Senator for the opportunity.

When it comes to priorities, we have learned from sad experience that nothing written in a bill means anything when the parties come to the State Department and complain. They write it off without coming to Congress. In the case of the British loan they did write it off without coming to Congress, and if the

distinguished Senator from Massachusetts has any information otherwise on the British loan, I should be very much obliged if he would tell us about it.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. MALONE. I yield further to my good friend from Massachusetts.

Mr. LODGE. I have no information otherwise on the British loan, but I will say that I agree with the Senator that we have made many mistakes in the past. We have gone into many things in a sort of left-handed, half-baked way, but I think the proposal before us is much more carefully worked out than anything I have seen in the years I have been a Member of the Senate, and that it has the benefit of the study of men of standing to an extent that I have never seen before.

Insofar as the possible acquisitions of materials and stock piling under the bill is concerned, the Senator will see on pages 162 and 163 that we expect to get 3,000,000 pounds of tungsten from Portugal—I am skipping around at random—we expect to get 2,000,000 pounds of nickel from New Caledonia and the Netherlands East Indies; we expect to get from two to three million pounds of industrial diamonds from the Belgian Congo, Angola, the Gold Coast, and Sierra Leone; we expect to get 50,000 pounds of copper from the Belgian Congo and Northern Rhodesia, and so forth and so on. I will not read them all, but we expect to get, according to official testimony which was given at my request, substantial amounts of things we need.

Mr. MALONE. Mr. President, does the Senator from Massachusetts expect that we shall get those materials in exchange, or shall we have to pay for it as usual?

Mr. LODGE. I think in the first year or so we will pay for it in dollars. In fact this whole computation of \$5,300,000,000, in view of the unfavorable trade balances of these countries, is based on the assumption that they will sell us some of these materials, and if we stipulated that they had to give us these materials, then the unfavorable trade balances would go up that much greater, and add that much more by way of aid, or it would have to be furnished from outside. So I think in the initial stages we will pay for it. Under the bill it is possible to make agreements extending for a number of years, under which we will get substantial amounts of these materials without paying cash for them. Of course, we will pay something for them. We will extend our aid in exchange for it.

Mr. MALONE. I thank the Senator from Massachusetts sincerely for his contribution. Now, since he has raised the question, I refer him to the European recovery plan committee hearings held by the Senate Foreign Relations Committee, Part I, to pages 116 and 117. There are two tables there which are very interesting to me. Since the Senator has brought up the fact that if we did take these minerals without pay it would further unbalance their trade balances, I want to point out to the distinguished Senator from Massachusetts that it just happens—no doubt it is a coincidence—

that the money which has been asked for under the bill, \$6,800,000,000 for 15 months, corresponding exactly to \$5,300,000,000 for 12 months, adds up to the unfavorable trade balances.

In other words, the \$6,800,000,000 asked for by the President for 15 months under the Marshall plan corresponds exactly in proportion to the \$5,300,000,000 for 12 months so the trade balance shortage of the 16 countries from all trade sources in the world for the 12 months exactly balances by the same coincidence the amount of the loan or gift—I hope that no one is so naive as to believe that any of it will be repaid.

Now the exact shortage in the trade balances of all these nations with all the countries of the world with which they trade, adds up, as a mere coincidence, to \$6,860,000,000 for 15 months, which is the exact amount asked for during that period. That, in the Senator's own words, is sufficient reason that we should never take these minerals without pay. I submit to the Senator that there could be a grave accusation made that this country has now established a certain policy with respect to loaning—and we mean by that gifts, because there is no one naive enough I hope in the Senate, and I think there are very few in the United States, who believe that we will get any money return out of this at all. The loan just adds up to their deficit in trade balances for the time that the loan is supposed to last, and it is an illustration of the policy we have adopted under the present administration, in the last 5 years. It is a dangerous policy, I submit and one that has already put us on the road to bankruptcy—how long would a business last with a policy like that—the board of directors would change the president of the company and quick.

Mr. LODGE. Let me say to my able friend from Nevada that I am not going to defend the policies adopted during this administration—during the last 5 years.

Mr. MALONE. The Senator is defending them if he backs the present legislation.

Mr. LODGE. No, sir; I am not. I insist that I am not defending the policies of the administration in the last 5 years. In fact, I do not consider I am defending the policies of the administration at any time. I am defending the policy which was adopted by the unanimous vote of the Foreign Relations Committee, which is a very different matter, indeed. The bill which the Foreign Relations Committee has reported out is a far different bill than the bill sent up from the executive branch.

Mr. MALONE. Let me interrupt the Senator at that point to say that the amount is just the same and the principle is the same—some of the words may have been changed.

Mr. LODGE. No matter how hard the Senator tries, and no matter how eloquent he is—and he is very eloquent—he cannot tie me up with this administration. I refuse to be tied up with it. The fact that the unfavorable trade balance is \$6,800,000,000, as shown on pages 116 and 117 of the hearings—

Mr. MALONE. Six billion eight hundred and sixty million dollars.

Mr. LODGE. And the fact that the total amount requested for the Marshall plan is \$6,800,000,000 is not a coincidence. It is deliberately arrived at. What we are trying to do is to bridge that gap in foreign exchange which has been caused in large part by the war. There is not any mystery about it. We have not uncovered a corpse here. It is exactly what we are trying to do. The Senator is quite right that if we were to insist on getting these strategic raw materials without paying for them in the first year, it would further upset the unfavorable trade balance of those countries, which is exactly why we are not going to do it. But when the time comes when these countries develop an export surplus—and I think some of them have great recuperative powers, and they will develop export surpluses—when that time comes, then we can get these materials by barter, and I think we should. I thank the Senator for yielding to me so liberally.

Mr. MALONE. I thank my distinguished colleague from Massachusetts. He has had longer experience in the Senate and has had a longer time to observe the actions of this administration. Therefore he would know more about it. I would like to withdraw the remarks I made that he is siding with the administration purposely so long as he is so vehement in stating that he does not like to have that said. I now believe that his agreement with them in principle is a coincidence.

The Senator said that when the various countries recover then we will collect these minerals without paying for them. I say to the Senator that the United Kingdom is now 115 percent recovered compared to the 1937 industrial index. I want to quote at this point what Sir Stafford Cripps said to me. I had a long interview with him. I intended to go into that later, but now seems opportune. He was very frank with me. He did not say or claim that Great Britain needed this money very badly. As a matter of fact he said they did not need it very badly for the recovery of Great Britain. What they needed was not money for recovery, but for the building up of industry in their colonies, notably in Africa. I asked him in a conversational tone of voice if it would not be all right if Americans, persons in the United States who have money to invest, should not invest it in Africa—since they are ready to invest it anywhere in the world where capital is safe from confiscation, where they just take the business risk. There is more private capital for such investment in the United States now than at any other time in the history of the world. Why not let private capital go in and do these things? "Oh, no," he said, "that will not do. We need the Marshall-plan money so that the Government of the United States will give the Government of Great Britain the money to build up industry," not to rehabilitate it to the point at which it was prior to the war, not 25 percent above that, but double it and triple it. That is where Great Britain intends to come into market domi-

nation again. That is what this money is going for really, and it is, of course, in the British Empire where most of strategic and critical materials are found.

Let me make one more remark in that connection. I had a long discussion with Sir Ben Smith just before I went down in one of the British coal mines, and before I had visited the steel mills in Birmingham. Sir Ben Smith said several things. One thing was that we should continue lending them money on the lend-lease principle and expect no repayment at all. I do not remember the exact language he used, but he said it was way out of line for us to expect repayment; that we should continue loaning them money on the same lend-lease basis. I did not say anything. I was obtaining the information which I wanted. He said further: "You must remember"—I was a long way from home, and perhaps looked a little timid—"You must remember that we control in the British Empire three-fourths of the raw materials in this world, and if we have to we will close down on them." Those are his exact words, presumably in the nature of a threat if we refused such aid on that basis—if we were rash enough to expect any dealings on a business basis.

Mr. President, there is no time further this afternoon to continue the debate, but I should like to obtain unanimous consent to continue my address the first thing tomorrow after the Senate reconvenes. I intend to show at that time that by taking these measures into account separately it is possible to feed hungry people, to stop communism, and it is possible to loan money on a business basis for the rehabilitation of sound industrial enterprises.

Mr. WHERRY. Mr. President, I ask unanimous consent that, after the Senate reconvenes tomorrow, the junior Senator from Nevada [Mr. MALONE] may be recognized.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE MARSHALL PLAN—ADDRESS BY SENATOR JOHNSON OF COLORADO

Mr. JOHNSON of Colorado. Mr. President, on March 2, I made a talk at Chicago before the North Park College forum. I ask unanimous consent to insert that talk in the RECORD, not in the Appendix, but in the body of the RECORD, for the reason that my talk dealt almost exclusively with the Marshall plan and related matters.

The PRESIDING OFFICER. Is there objection?

There being no objection, the address was ordered to be printed in the RECORD, as follows:

To provide a subject for this address, my sponsors have assigned me the intriguing topic "If I Were President." The Monday noon quarterback has obvious advantages over the Saturday afternoon coach as do I. So tonight I shall let my imagination run riot with respect to the conduct of the most powerful and most respected office in all the world, and take you with me on a flight into the stratosphere of political speculation and hindsight.

Each year the President appears before Congress and delivers an historic address on the state of the Union. In this modern time, where a pin-drop is heard across every sea,

there are no limits to the scope of this traditional address. For today the state of the Union is the state of the world. On January 7, 1948, President Truman, the world's foremost optimist, as well as its leading political figure, delivered a most reassuring state of the Union résumé.

I thought the President painted too bright a picture on January 7. As I view it, he might well have said bluntly the "state of the Union is bad, very bad, and the state of the world is positively terrifying." I am not an alarmist, but it is dangerous to not face the stern realities of these uneasy times. The people of the United States are tough and they can take a "blood, sweat, and tears" jolt when that is the medicine the doctor has ordered.

President Harry Truman is a patriot of the highest order. He is a devout man of deep religious convictions. No one loves his country more. There is not one dishonest hair on his head. He is a man of great courage, almost foolhardy courage. He has a warm, understanding, unselfish love for the people. He is a good man in every sense of the word. But if he had taken his hair down on January 7 and called a spade a spade, his words would have thrilled and inspired his people.

Had he said to the Congress, "There will be no political maneuvering at the White House, so stop thinking only of November the second, complete your difficult tasks without fanfare, and without playing politics, and get out of Washington!" Congress would have recognized the master's voice, and the country would have smiled its approval.

Had he said to industry, as General Eisenhower is reported to have observed, "Cut profits, lower prices," tumultuous applause in and out of Congress would have lifted his words to the stratosphere, and the other day steel would not have poured oil on the flames of inflation by its stupid and wicked action in advancing prices.

Had he said to organized labor, "The economic structure of our country is tottering. The vicious spiral of higher prices and higher wages must cease, and quick. For 12 months I demand freedom from wage increases." Had he added, "Gentlemen, inflation can be overcome only through the constant, unselfish, enlightened efforts of all of us. Only by high, uninterrupted production can your take-home dollar ever approximate 100 cents again;" organized labor in my opinion would have fallen in line and the confidence of the country would have been restored.

Had he said to American merchants, "Merchants, do your part to restore the integrity of the dollar. Slash prices, put on bargain sales, clear your shelves, reduce your inventory, get your house in order for a period of lower prices;" all of America would have rejoiced.

Had he said to all the people, "Europe is suffering its worst famine since the 1860's; eat less, waste less, and dispatch more to the starving children across the sea," a new spirit of consecrated sacrifice would have swept these United States.

In his state of the Union speech our beloved President missed a great opportunity because he spoke neither the language, nor the thoughts of Harry S. Truman.

The world is on fire. Extraneous matters which divide our people and glittering generalities far beyond the President's own budget had no place in that speech. Recommendations of economic changes based on tough, cold facts would not have inspired incriminating debate and far-reaching political revolts. The American people are not little children who must be told that the Federal Government will fill their stockings with every good thing, including social and political preference, without any effort on their part. This is a time for concerted action, not fussing and feuding; a time of

peril, not plenty; a time for hard work, not day-dreaming; a time for sacrifice, not mooching.

Today, if we will get November 2 out of our eyes, two very grave dangers may be seen sticking out like two very sore thumbs. I refer first to the constant and dangerous advance in the cost of living, and secondly, to the growing threat of World War III. We dare not relax for one split second until the general outlook on these two perilous fronts is greatly improved.

Gradually, in the United States, inflation has been gaining momentum day by day, month by month, and year by year. Like a thief in the night it has been creeping upon us. Inflation is not a new disease. It is as old as civilization. Its pattern and its causes are well understood by economists everywhere. It has been the source of more misery than any other phenomenon of the capitalistic system. It is the father of totalitarianism. It gave the world Napoleon, and it gave the world the unspeakable Adolph Hitler. Capitalistic democracy and uncontrolled inflation cannot live in the same house. One or the other must get out. The burning question in the United States is, which goes? It is as simple as that.

Today every country the world over is suffering in some degree from this virulent malady. In China, one cannot haul enough printing-press money in a wheelbarrow to pay for a meal. France and Italy, too, have an aggravated case of this economic plague. All of our neighbors in the Western Hemisphere are desperate because of it. The rich and the poor, the high and the low alike are ruined. It creates Communists faster than Joseph Stalin can drink vodka.

At no period in world history has any nation shown more capacity to wage total war than did the people of the United States during World War II. Our human and natural resources were mobilized to the nth degree to crush our cruel, relentless foes. Now we are nearly 3 years in the postwar era. In place of the perfect coordination and splendid cooperation among all groups which were so evident during the war, we see our leaders appeasing pressure groups and special privilege gangs; we see petty political maneuvering, and the selfish promotion of personal political ambition. Hitler and Mussolini and Tojo put the fear of God in us, and we moved as one man to destroy these monsters. If we could only realize it, the impending ruination of inflation and the threat of World War III are far more dangerous enemies today than those three vile creatures of yesterday. Hitler, like the foolish rattler, proclaimed his own perfidy, but inflation is slipping up on us like a snake in the grass.

If I were President, I would summon my economists and set them to work to list all of the direct and indirect causes of our march of inflation. After they had diagnosed and analyzed the situation thoroughly, I would give the Congress and the people a full, complete, and hard-boiled statement, and I would demand corrections all along the line, regardless of whom it might hurt. Furthermore, I would pound away on this theme day and night until I got results. For until we stop the spiral of inflation which is sweeping the United States over the precipice, our vaunted prosperity is but a house of cards built upon the quicksands of illusion. Manufacturers, merchants, farmers, consumers, bankers, management, organized labor, government, and many other elements of our society have contributed to the raging fires of inflation. Each of them faces ruin unless these fires are extinguished. Nothing short of Herculean coordinated effort with full and united cooperation among all segments will put that fire out. It is up to the President of the United States to provide the leadership in that kind of crusade.

The Federal budget for this year is two thousand million dollars larger than last

year, and more than four times larger than the 1939 total. Right there would be an excellent spot for an inflation-fighting President to make his start. He might well contemplate the Government's whole fiscal policy. From 1940 to 1946 we expended \$400,000,000,000 for war. Two hundred and fifty-seven billion of that vast sum is represented by outstanding interest-bearing bonds which under the law can be converted into credit or currency any hour of the day. For all purposes and effects this vast bond issue is but one step removed from printing-press money. During the war period currency in circulation (printing-press money) increased \$20,000,000,000. Deficit spending quite necessary during the war and the totalitarian device of printing-press currency have combined to debase our monetary system to the breaking point. There was dire necessity during the war to travel this dangerous road, but now that the war is over stupidity and political cowardice must not keep us traveling that tempting easy-come, easy-go highway to disaster.

Price control obviously is not the answer. This police-state method promises security but delivers confusion. It is true that it did work briefly during the war, but only briefly, for soon the laws of supply and demand, which no Congress and no government can repeal, asserted themselves through the black market, and the price controls had to be abandoned. They deal with symptoms anyway, and not the disease. Sitting on the lid of the volcano of inflation must eventually result in a violent explosion. If we are to build effective bulwarks against inflation something more fundamental is required. Federal fiscal policies, curtailed production through high taxes and labor disputes, loose credits, profiteering, exhaustion from public charity and foreign loans, and deterioration of money are its well-understood causes, and they must receive our united action to effect a cure. The danger which we face is that each of the elements in our economy will blame the other for the present wicked spiral and that inflation will continue unchecked and end as inflation everywhere has always ended, in economic collapse.

The State Department has a remedy for our inflation which I fear will be worse than the disease so far as we are concerned. They would stimulate production abroad with our capital; then they would lower our tariff wall and let cheaper goods flow in unrestrained. It would reduce prices here all right, but it would close our workshops and our factories.

In the early thirties the United States suffered the worst depression in history. The Federal Treasury had to pour out billions to get the wheels of industry turning. It was called pump-priming. The State Department is pouring twice that many dollars into Europe. Once European industry gets under way it will give American industry a run for its money. The cry will be for markets, and we cannot furnish them without creating idle smokestacks and devastating unemployment here at home. Thus we push ourselves along from one crisis to another. Lincoln was in error—you can fool all the people all the time.

I am convinced that some of the men occupying high places in our Government, while publicly complaining very bitterly about inflation, to more easily balance the budget privately desire it. But these men are living in a fool's paradise. Inflation, like alcohol and other narcotics, must be increased to register effect.

While our Government is ballyhooing about inflation, Sweden does something constructive about it. Industrial and business houses in Sweden will be required to deposit with the Central Bank 17 percent of the dividends paid last year and 27 percent of their undistributed earnings. These deposits will

be blocked until 1950. By this arbitrary and drastic procedure the amount of money in circulation in Sweden will be reduced.

Keeping the United States out of world war III would be my other great passion if I were President. Since there is no possibility for keeping us out once a world war is started, world war III must be stopped before it starts.

Marcus Cato in ancient Rome ended every speech, every letter, and every conversation with these words, "Carthage must be destroyed." If I were President, every statement which I issued, every document which I signed, and every speech which I made would close with these words, "The world must not be destroyed."

Keeping such an objective ever before us might modify and change every short-range and every long-range domestic and foreign policy of this great country. But if that were so, then they would be changed. All ideas of "let's try this out" futility, all ideas of frenzied frustration, and all ideas of stupid appeasement and sloppy wishful thinking, which have characterized our dealings with Russia over the past 10 years, would most certainly have to go. That we would be required to remain strong and powerful all along the line goes without saying.

Modern war is total war. World war III will kill more women and babies than men in uniform. For mass destruction of civilians is the accepted technique of modern war. War will henceforth be directed toward civilians. They will be the first objects of death and destruction both by us and by our enemies.

To win such a diabolical war, we must remain strong in every phase of life, and especially so in its moral, spiritual, economic, industrial, and physical phases. If we are strong in these attributes, we will have attained the first potential of military strength. If we are lacking in any of these particulars, America cannot achieve military greatness.

In World Wars I and II the United States demonstrated that it was the mightiest military power of all time. How could a nation with an overwhelming passion for peace attain such an exalted military status? It was no accident, my friends. American churches, Sunday schools, public and private schools, fraternities, luncheon clubs, labor unions, productive capacity, and our devotion to the free-enterprise system made this a great military power. For these things young American patriots from every cross roads and hamlet fought, bled, and died. True, Annapolis and West Point and the ROTC and the National Guard made their vital contribution, but without the first-named fundamentals we could not have won these last two brutal wars. The armed forces, the usual yardstick, is only the token of our military strength.

Nevertheless, today the United States, forgetting this truth, is making the grievous mistake of spending three times as much money on its armed forces as all of its agencies—private and public—spend on all education from the kindergarten through its highest colleges and universities. There is something wrong with the head and the heart of a nation in these modern times that does that. The dangers of military fascism are very great in the United States today. The blatant insistence that our huge and swollen military appropriations be doubled at once is made without apology by our bloated militarists. One more victorious war and militarism will be in full bloom in the United States.

Radar, the proximity fuse, the guided missiles, and the other phenomena of electronics, the technique of mass production, aerodynamics and supersonic speeds, bacteriological warfare and chemical warfare, and even the atomic bomb itself are the product of the schoolroom. How foolish it would be to try to fight a modern war without regiments of chemical and civil engineers and chaplains. In the last war, we refused enlist-

ment to all men who had not passed through the fourth grade, and until an extreme shortage developed in aviators, we required that all pilots have 2 years of college work. In the next war, we will not be able to use very many men outside of the labor battalions who do not have the equivalent of a high-school education.

Today, and for the foreseeable future, we have but one potential military opponent. Russia is the only other country on this earth with the capacity to engage successfully in total and modern warfare. Behind her iron curtain, she has twice our manpower. If we are to cope with her on an equal basis, our manpower must be equipped and trained until it is twice as effective as her manpower. We must have better guns, ships, electronics, planes, and pilots than Russia. We must have more devastating and deadly munitions and more machines of mass destruction. Some atomic scientists state that the radioactivity generated by the detonation of a thousand atomic bombs on this continent in a given time would destroy all life—plant and animal. Likewise, according to these scientists, a thousand atomic bombs dropped on Russia would destroy all life there. The only insurance against World War III getting under way is to have under our control those thousand bombs, more or less, plus the necessary bases and the planes to deliver them to the target. However, we would pray most earnestly never to be compelled to drop atomic bombs on anyone. Prevention of war is as simple and as horrible as that.

Many of our hysterical panic-stricken citizens and many of our professional militarists, doubtless with the best of intentions, have been whooping it up for universal military training. I wish we might rely on so simple an expedient as the conscription of our 18-year-old boys for our security, but the facts of modern war eloquently deny the adequacy of such a simple expedient. I am opposed to universal military training primarily because it would add nothing whatever either to our military strength or to our security. If we should be compelled to wage war against Russia, we would not dare have an American within hundreds of miles of that doomed land. Universal military training does not give immunity to radioactivity. They say we must have conscription to acquire occupation troops, but occupation troops have no business in a land sizzling with deadly radioactivity or sprayed with plague-producing bacteria.

When last year we announced the Truman doctrine of military intervention in Greece and Turkey, in so many words we challenged Russia in her own backyard to go to war. Outwardly she ignored our direct challenge, thus demonstrating that she was not ready for war with us.

Personally, I do not believe she will be ready for a hot war for 10 to 20 years, if then. Meantime, her cold war is being accelerated with a considerable element of success. Yesterday Czechoslovakia fell; tomorrow it will be Finland. Two years ago we should have known that these heart-breaking developments were inevitable.

However, Russia is caught between the two horns of the dilemma of education. She is 20 years or more behind the United States in educational facilities and attainment. When she catches up with us in these things her people will be too well informed to stand for her tyrannical and totalitarian system of war government. It is encouraging in this modern world that an ignorant nation cannot fight a modern war of aggression successfully, and that an educated people can find ways to avoid such a war. Thus the school plays the paradoxical role of preparing a people for war and at the same time filling peoples' hearts with the realization of the wickedness and futility of war. So our schools, the best bulwark of our defense, must press forward with increased vigor. I

say again, it is short-sighted for any nation in peacetime to spend three times as much on the uniform as it spends on education.

War is caused primarily by hate and fear. These two complexes quite naturally develop the necessary military preparations to wage war. There you have the complete vicious cycle of destruction. Christ taught love instead of hate, and confidence instead of fear, and He said, "They that take the sword shall perish by the sword."

"To insure peace, prepare for war," must give way to "To ensure peace remove the causes of war," or to make war so revolting that no people will countenance it. Generally speaking, a way should be sought to substitute love for hate and confidence for fear. That is oversimplification perhaps, but it does put the finger on an idealistic goal which must be attained if civilization is to endure.

The very last words penned by Franklin D. Roosevelt were, "Today we are faced with the preeminent fact that, if civilization is to survive, we must cultivate the science of human relationships—the abilities of all peoples, of all kinds, to live together, and work together, in the same world, at peace."

Walter Lippmann points out that "our greatest danger is that we accept a false estimate of the European situation * * * and are frightened and violent when we should be confident, constructive, and magnanimous," and he goes on to suggest that our efforts in Europe should be directed toward "relaxing the tension, subduing the anxiety, and ending the panic."

Brook Atkinson, the able representative of the New York Times, who resided many years in Moscow, sums up the present situation in these understanding words:

"We are afraid of Soviet Russia, which is afraid of us * * * two powerful nations shaking in their boots at each other and competing with each other in a tempest of rancor. * * * Russia is a large country populated by an admirable people with infinite potentialities, but led by a handful of fanatical doctrinaires who are scared. * * * Russia cannot fight an aggressive war now, nor can she risk provoking war, for she has hardly begun to recover from the appalling losses of the last war."

David Lawrence, an astute and popular American writer, observes:

"We must be ready to debunk our own course whenever it is palpably wrong. We deplore Russia's intervention in the Balkans, but we do not consider our own intervention in Greece as violative. We blame Russia for helping the Communists in China, but we help the side which the Russians call Fascist."

A well-known, well-informed American pacifist, Frederick J. Libby, recently suggested that our military forces are using Russia as a bugaboo to wheedle the American taxpayer out of \$11,000,000,000 annually. And that the Russian politburo plays up the United States as a "warmongering, imperialistic enemy of the plain people of the world" to persuade her war-weary millions to accept meekly their present misery after winning a great victory.

Pearl Buck, who has spent most of her life in Asia and knows the oriental mind, comments:

"Every time an American talks about fighting Russia he hands a gun to the politburo. They run shouting with it to their people, 'See? I told you the Americans want to fight us!'" "I do not believe in appeasement," says Pearl, "but certainly I do not believe in helping the Communist leaders of Russia by saying what they want us to say."

In this age of anxiety, the rivalry for power between the United States and the Union of Soviet Socialist Republics has engendered a poisonous climate in which helpless humanity is drifting toward World War III. Whatever may be its causes, no one can deny that the present world climate is

a war climate. But it is a man-made war climate. Man made it, and man can change it. The President of the United States has both the responsibility and the duty of leading a vigorous crusade for such a change. The world must not be destroyed.

Sixty-nine-year-old Stalin has been in poor health for 2 or 3 years. Robust and hard-boiled in his youth he has not grown old gracefully. Now he is old and lonely, with a weak heart, and periodically an invalid, and he spends most of his time in the health resorts of southern Russia.

The politburo, which has taken over more and more as his activity has subsided, still has confidence in the integrity and loyalty of Molotov to fulfill its precise orders with painstaking and faithful care, but it knows all too well that he is petty, dull, and uninspired, with an ambition greater than his ability. When Stalin goes to his everlasting reward, which may be soon, Molotov is not likely to succeed.

General Zhdanov and his crowd of Russian fanatical imperialists are in the saddle. They are dedicated to expansion through piecemeal aggression and the waging of a cold war. General Zhdanov, the favorite of the politicians, is well regarded also by Russian military leaders.

Marshal Beria, in charge of atomic research, is another very popular strong man of Russia who may succeed Stalin. Although General Zhdanov and Marshal Beria are political rivals, yet they work closely together.

Still another political leader of Russia who should be kept in mind is Andreyevich Andreyev, the Deputy Prime Minister. He is a cool-headed planner, shrewd, and solid.

Many observers believe that when Stalin passes on, the struggle for power in Russia will break wide open. I disagree. It will be a fierce struggle all right, but it will take place behind the closed doors of the politburo. Outwardly, all will be calm and decisive. Inwardly, smoldering fires may rage to be followed in time by purges, but the fatal movement toward world domination will go forward unimpaired. The cold war will progress on schedule without interruption.

No, Stalin's death will not herald communistic disintegration. It may even give impetus to the phenomenal growth of the Colossus of the North. Nothing indicates the slightest hint of a new spirit of conciliation toward the capitalistic democracies. Everything points to accelerated pressure on every neighboring country in Europe and Asia. Communism is on the march.

However, important and fundamental changes in the governmental structure of the Union of Soviet Socialist Republics are impending. Her tremendous postwar territorial expansion makes that positive. The problems of governing her vast empire are straining the old order and the old technique to the breaking point. Her utter lack of experience in governing diverse peoples having strange economics is revealing. Her contradictory policies in Germany are evidence of what I mean. The Communists want a strong, dominating alliance with Germany. This is the heart and soul of their present foreign policy. The Communists are positive that with a close alliance of Russia and Germany, nothing can stop them. Fortunately, they don't know how to proceed. The incredible clashes of brutality and flattery in her relations with the German people and the intermittent spasms of rehabilitation clashing with pillaging are the top international puzzles today and can only be explained by classing them as additional evidence of the well-known Russian inferiority complex.

Nevertheless, the chances that Russia eventually will make a success of her tremendous undertaking of consolidating eastern Europe are favorable. What she lacks in finesse she makes up in stubborn determination and ruthlessness. She can produce more

food in her new empire than she can consume. Her manufacturing possibilities have no limits and her natural resources are adequate for all her present needs. Her economy is not only self-contained, but shortly she will have vast supplies of surplus food and other natural resources to offer western Europe. Russia can live and prosper without western Europe, but western Europe cannot live without her unless Africa is immediately and thoroughly developed. The overwhelming significance of that solemn truth needs to be hammered home to every Russian hater.

Germany, thanks to Hitler, is the saddest land in all the world. The mighty have fallen far and hard. Before the war the economy of Europe was based on German industries and German science. With her collapse, Europe is floundering. Most unfortunately, they can neither live with her nor without her. Our war policy of unconditional surrender and no separate peace, followed by the wicked, stupid, and indefensible Potsdam Agreement, has turned Germany, and perhaps all of Europe, over to Russia, lock, stock, and barrel. Arbitrarily dividing Germany into four zones was an evil day for the world. In the area of Tiflis, with the help of German technicians, is going up the reconverted Essen Krupp factory. Undernourished, frightfully abused, and discouraged, German slave labor is doing the heartbreaking job of dismantling, transporting to Russia, and there rebuilding war plants and other industrial plants. That is what goes on. Peacetime German factories are destroyed under the pretext that they might be used at some future date for wartime production. Fertilizer is Germany's and Europe's most crucial need. Nitrogen is the chief element in fertilizers. Nevertheless, the huge synthetic nitrogen plant at Oppau, Germany, is marked for dismantling. German wood and coal, the main natural resources left to her, are being recklessly exploited and exported both by Russia and Britain.

One-third of her agricultural land has been lost, and yet her total population in this reduced area is well over 65,000,000. The population of Greater Germany before the war was only 69,000,000 people. Forcibly expatriated Germans is the explanation. The diminished land area cannot support them. Big land holdings in the Russian zone have been split up into peasant properties much too small to permit a farmer's family to gain a livelihood. Starvation and certain failure will force these peasants eventually to accept the collective system.

The opposition to Hitler in Germany came largely from the landed classes, but the landed classes receive no consideration from either the Russians or the British and very little from the United States. Many former landowners have been deported to Siberia or pressed into slave labor. France, strangely enough, has committed less violence against them than the other powers.

Unemployment, starvation, and degradation have reached an unbelievable low. Lack of food, poor housing, and little or no heating have resulted in widespread epidemics. Tuberculosis is raging, syphilis has risen 250 percent over 1945, skin diseases have increased 10 times, and the general death rate is 30 percent above 1933. Medical supplies are very low and for political reasons many desperately needed doctors are not permitted to practice. Eighty percent of German cattle have tuberculosis. The decline in religious influence, plus the pervading hopelessness, is driving all classes and all age groups to immorality and crime. The ghastly decadence of Germany manifests itself in the sad, bewildered little children, with their big eyes set in their thin, starved faces. At a terrible cost to our Treasury, the Allies have made a flop of Germany, and

Russia is cashing in on our tragic incompetence.

Prisoners of war, returning to Germany from Russian slave camps, are completely broken and unable to work; that is, unless they adopt communism, whereupon they enter the Russian Intelligence Service and are delegated to convert their fellow citizens in Germany to communism, or they may be assigned minor administrative duties in the Russian Government, or they may join the Russian-sponsored German Army.

Now, may we take a look at London? We like to believe that the United Kingdom's precarious condition—just one step removed from total economic collapse—is a war casualty. It is nothing of the sort. True, it has been aggravated by the war and by the world-wide postwar currency debacle, but for 37 years straight, the balances between retained imports and exports of the United Kingdom have shown a huge deficit. In 1911 this deficit amounted to over \$1,000,000,000, and each year thereafter it has steadily increased until now it has reached the dizzy height of \$2,382,700,000.

For almost four decades the United Kingdom's adverse trade balance has been growing larger and larger. In one gulp the last war swallowed her last capital reserves and destroyed her numerous invisible exports, such as insurance and banking services as well as her income from foreign investments, and thus precipitated her present economic crisis. Britain is swapping a railway system she owns in Argentina, which cost her \$1,000,000,000, for \$600,000,000 worth of food. It is an act of desperation, but a nation must eat. During the war she lived on Canadian mutual aid and our lend-lease. Since the war she has survived on Canadian and American hand-outs.

The British people are bewildered. One day their politicians feed them statistics so bad that no one has the slightest hope. Then, for political purposes, without any basic change in her fundamental economic picture, the people are assured recovery is just around the corner. The truth is, recovery is not even around the next century. On the present basis, there will be no recovery.

Canadian and American aid have been nothing more than an opiate. The ghastly fact is, Britain has been and will be on charity for the foreseeable future. So long as our statesmen and her political leaders bury their heads in the sand and refuse to face cold facts, the United Kingdom is doomed to a permanent status of dependency on foreign charity. Her vast empire is being liquidated, her proud Navy is disappearing, and her once powerful air and land force is being reduced to a modest police status. Austerity for Britain is not for a day. It is for a century, yea, 10 centuries. There will always be an England we hope. I fear that it will not only be a tight little island, but a cold, hungry, more or less depopulated, little island as well. It is to be hoped that the United States will always have a soft heart, but it is too much to expect that she will always have a soft head. If I were President I would warn the United Kingdom to get her house in order without further delay, and come forth with a sound, constructive program that will click.

England's one escape is to build a new colonial empire in the undeveloped continent of Africa and closely integrate it into her economic system. Such an overseas expansion must, of course, be coupled with a drastic reduction in her home population. I am not talking about the exploitation of the native people of an African colony. I am suggesting a wholesale migration of her population to Africa. Africa has a tremendous undeveloped potential of production of food and other vital natural resources.

In fact, if Germany cannot be restored and trade resumed with eastern Europe, Africa offers the only way out for all of western

Europe. Britain, France, Spain, and Belgium are already established there. Italian colonies, not including Abyssinia, of course, should be restored to her. The Dark Continent has plenty of room for the overflow population of western Europe. Multiplied millions of acres of idle, fertile soil, with semitropical and temperate climates, make Africa's agricultural potential supreme among the continents. Huge deposits of iron and coal is another happy combination. The possibility of hydroelectric power developments has no equal anywhere. Uranium, bauxite, manganese, chrome, diamonds, and precious metals are only some of the rich natural resources which abound in Africa.

When the United Kingdom and all of western Europe stop being sorry for themselves, snap out of their doldrums and take advantage of the most stupendous opportunities ever open to mankind, then and only then will world recovery be in sight.

The situation in Italy is downright disturbing. The Communists have a well-organized army of 100,000 men in Italy, armed and equipped with American and British automatic weapons and ammunition. Its military commander is Pietro Cecchia, and his chief of staff is Luigo Longo. The political leader of the Communist Party in Italy, which is very strong, is Palmiro Togliatti. He is perhaps the smartest, the ablest, and the most resourceful and most ruthless political leader in western Europe. Do not be surprised if violence gets under way in northern Italy prior to or just following the general elections which have been proclaimed to be held in April.

Each guerrilla roaming the hills of Greece last year cost the taxpayers of the United States \$10,000. The cost per guerrilla goes up this year and very few guerrillas have been liquidated. In fact the reactionary Greek Government by its cruel economic policies has been creating guerrillas faster than our Treasury can destroy them. Heroic Greece is suffering from a combination of bad crops and bad government. The men who resisted the Nazi and Fascist invaders during the war are being hunted down in the hills like wild animals with our finances by the very royal family that fled Greece well ahead of the Nazi invaders. Our military mission there is the most contradictory venture of modern times. Why we should direct our money and our military efforts toward keeping a corrupt, imposed foreign monarch on the throne of Greece is the \$64 question.

Yesterday the Senate started debate on the so-called Marshall plan. This plan is a grandiose scheme for the commendable and worthy objective of rehabilitating and restoring the 16 nations of western Europe to productivity and normal life. Five of the 16, Ireland, Portugal, Turkey, Switzerland, and Sweden, were not in the war. Denmark was not destroyed. Iceland was occupied by the United States and fully compensated for that contribution. Sweden and Switzerland are not asking for anything from the Marshall plan.

The three billion three hundred and seventy-five million so-called loan we gave Britain last year, which was to last her 5 years and put her back on her feet, will be expended by July 1. On that date she hopes to have a billion and a half drawing account against the Marshall plan available for her vital importations for the year. She receives one-third of our total Marshall plan contribution. Two years ago, when the original British loan was being considered, I pointed out to the Senate and the administration that this loan would cure nothing and that it would need to be followed year after year with additional gifts. The British allocation under the Marshall plan proves I was correct. And I am correct when I say that unless radical changes are made in the United Kingdom economics, the day will not come when they can live without a dole.

A few months ago, the London Evening Standard said: "This great country is in danger of being beaten down and impoverished by loans. * * * Living on tick is bound to sap not only the will of the people to work but the initiative and grasp of their rulers."

The same bitter words will be repeated by a thousand tongues from all of western Europe 4 years from now unless the Marshall plan is made permanent. To anticipate anything else is silly and unrealistic.

Of course, the food famine in Europe should be relieved to the fullest extent of our ability, and for free. Also, it would be to our advantage and in the interests of the peace and prosperity of the world to get the wheels of industry in Europe turning again. But I beg the people of the United States to not try to move a mountain with a wheelbarrow. Ten times the seventeen billions set up in the present Marshall plan will not be enough money to rebuild the economy of the 270,000,000 people of western Europe. Their money is debased until trade at home and abroad is at a standstill. Workers there are not paid enough of this current worthless printing-press money to buy food for their families. Local farmers refuse to sell food for this worthless money and impossible exchange rates and exchange systems halt foreign trade.

The best help we can give them is to stabilize their currency through the International Monetary Fund, which now has a capital of \$8,800,000,000. We should direct this agency to issue them a new international currency good anywhere, including the United States. For until their currencies are stabilized, and exchange between them simplified, trade cannot be revived nor a sound economy restored regardless of 10,000 Marshall plans. First things must be done first.

Next, I should like to see thought given and action taken on Senator CAPEHART's constructive suggestion to apply a simple expedient to Europe's industrial problem which already has proved effective in financing business and industry in the United States. In the early thirties, during our own severe depression, we created the Reconstruction Finance Corporation to get our stalled industry off dead center and started again. The RFC worked like magic here and it would work like magic in Europe. Senator CAPEHART suggests we create an international division in our RFC and that any of the 16 European nations seeking help likewise create a Reconstruction Finance Corporation of their own. Our RFC would be authorized to purchase 50 percent of the stock in the foreign RFC and extend additional credits. Equipped with these dollar credits, each European RFC would be prepared to aid in financing their domestic industry on a plant-by-plant basis. Senator CAPEHART points out we can do more with less money under this plan because interest and principal payments are used as a revolving fund to make additional loans. It is a plan not set up for a day, but for a century. The RFC worked so perfectly in our own great economic crisis and contributed so much toward whipping the late depression and preparing America for war, that it could not help but succeed abroad. The American Committee for the Marshall Plan says, " * * * self-respecting peoples, who believe in a free, democratic process, will not accept foreign dictation." One of my objections to the Marshall plan is that it is political and contemplates foreign political dictation. There would be no foreign dictation in Senator CAPEHART's proposal. It would be handled in a businesslike way by local businessmen, and it could not fail unless they proved unworthy. The RFC was good medicine for America when we hit our all-time low in 1932, and it would be equally effective across the Atlantic. It is a

flexible arrangement which could be adapted to almost any nation's economy.

There has been a lot of silly hoopla about the Marshall plan. It has been pictured as all things to all men. It contains a lot of sucker bait. American farmers favor it because it will push up the price of wheat, cotton, and tobacco; American humanitarians are for it because it will feed the hungry and clothe the naked; and American anti-Communists are for it because they think it will frustrate Russia—it is more apt to frustrate us; American militarists favor it because it is understood to be part of the Truman doctrine (which is a war doctrine) and they couple with it a tremendous increase in our military machine; American pacifists are for it because they think it is a peace policy and in spite of the fact its proponents haven't faith enough in its peace possibilities to call for reduced military expenditures. Others favor it because it scratches their backs where they itch the most. The combination of all of this divergent support insures its passage. Outside of its humanitarian aspects and its possible tendency to draw the 16 nations of western Europe more closely together, I see very little merit in it. Most emphatically it is too puny to restore and rehabilitate the economy of western Europe and it is violently inflationary.

I have passed over scores of political controversies, not because they are not important, but until we win a victory over high prices and the threat of World War III, we should not permit any political thing to distract us. All else is secondary. The world must not be destroyed.

RESTRICTIONS ON EXPORT TRADE

Mr. WHERRY. Mr. President, I ask unanimous consent to have printed in the RECORD at this point as a part of my remarks an editorial entitled "Today, the Handcuffs," published in the Omaha World-Herald of March 1, 1948. The editorial deals with licensing under the Office of International Trade, and its effect upon American businessmen and suppliers.

We have had so many complaints relative to these licenses that within the past week the distinguished Senator from Pennsylvania [Mr. MARTIN] has been appointed chairman of a subcommittee to investigate the impact upon small business. That investigation is already under way. If there are any Senators on either side of the aisle who have objections or complaints, we shall be very glad to receive them, because such objections are beginning to come in very rapidly on the policy now being pursued by the administration. This editorial is timely. What is said in the editorial is the situation as it now exists. Something will have to be done to eliminate the impact which this administration has caused upon small business, under the orders of the Office of International Trade.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

TODAY, THE HANDCUFFS

Today, March 1, the Government in Washington is scheduled to put handcuffs on an important segment of American business—the export trade.

Henceforth, if the Office of International Trade of the Department of Commerce has its way, no American businessman will be able to sell goods to customers in Europe, and certain other sections of the world, unless he has a Government license.

And as a prerequisite to the issuance of licenses, the OIT will require that foreign purchasers take sealed bids from American suppliers on every desired item. Copies of the specifications and bids must be filed with the OIT.

In other words, the American Government is treating the foreign buyers (usually they are foreign government missions) as if they were complete imbeciles. They are saying to these visitors, in effect: "You can't buy in our American stores unless we, the bureaucrats in Washington, are convinced that you are getting a good deal."

Thus, foreign buyers will not be able to buy trade-marked goods of their own choice.

They will have to buy what the OIT says they may buy, or go without. This, obviously, is a triumph for the bureaucratic mentality which, during the war, fought so tenaciously for grade labeling.

In explanation of its arbitrary action the OIT declares that control of exports has been authorized by Congress, and that it (the OIT) is simply trying to conserve the dwindling dollar supply of European nations.

All of which, no doubt, sounds convincing enough to the bureaucratic ear.

But it fails to take into account the undeniable fact that the European buyer of American goods—the Swiss businessman, for example, or the Swedish buying official—is just as anxious as anybody in Washington possibly could be to pick up bargains. Naturally, he will buy what he wants at the lowest price at which it can be obtained. Why, then, should he be harassed by moronic regulations? Why should he be told that he can't go shopping in the United States unless accompanied by a guardian?

A move is on foot in Congress to amend the export-control resolution in such a way as to outlaw the regulations referred to above. Hearings are scheduled to begin today.

Those who believe in the American competitive system will hope that Congress will act quickly and effectively.

RECESS

Mr. WHERRY. Mr. President, before moving a recess, I wish to announce that it is not the intention to have a session of the Senate on Saturday. I feel that that announcement should be made so that Senators may make their plans accordingly. I can give no assurance as to a session on the Saturday following. The plans will depend upon the situation of the debate at that time.

With that announcement, I now move that the Senate take a recess until noon tomorrow.

The motion was agreed to; and (at 5 o'clock and 23 minutes p. m.) the Senate took a recess until tomorrow, Friday, March 5, 1948, at 12 o'clock meridian.

House of Representatives

THURSDAY, MARCH 4, 1948

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Eternal God, whose blessings are exceedingly abundant, we pray to be made keenly aware of Thy purposes as we invoke Thy presence.

In the conviction of our God-given rights—namely, the right of choice, the right to work, and the rights of men as individuals—set us firmly against any group that would ultimately turn the course of human freedom into a pitiless struggle. We rejoice that whatever sinister teaching may try to engulf the American spirit, it cannot destroy nor swallow up the heart of the true patriot. We bless Thee that in our fair land Thy throne is no further from a poor man's cottage than from a king's palace.

O God of wisdom and Father of us all, be in the deliberations of this day; teach us the wise thing to do, and Thine shall be the glory. Through Christ our Saviour. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate disagrees to the amendments of the House to the bill (S. 203) entitled "An act to increase the equipment maintenance of rural carriers 1 cent per mile per day traveled by each rural carrier for a period of 3 years, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. LANGER, Mr. BUCK, Mr. FLANDERS, Mr. CHAVEZ, and Mr. JOHNSTON of South Carolina to be the conferees on the part of the Senate.

EXTENSION OF REMARKS

Mr. ALLEN of California asked and was granted permission to extend his remarks in the RECORD and include a letter.

Mr. JONES of Washington asked and was granted permission to extend his remarks in the RECORD and include a statement made by him before the House Committee on Post Office and Civil Service on the subject of H. R. 4727 and H. R. 4773; also to extend his remarks in the RECORD and include a statement made today before a Senate committee.

Mrs. ST. GEORGE asked and was granted permission to extend her remarks in the RECORD and include an editorial from Plain Talk.

PERMISSION TO ADDRESS THE HOUSE

Mr. MATHEWS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

OUR AMERICAN FOREIGN POLICY

Mr. MATHEWS. Mr. Speaker, we talk about our American foreign policy as if we had one.

How can we have such a foreign policy when we insist upon carrying out commitments made by one man at Yalta, Tehran, Potsdam, and all way stations, the full import of which we do not yet know; when we have turned over an unknown quantity of control over our foreign affairs to the United Nations, subject to the vote of about 53 other nations and the veto of 1; when the rest of this control seems to be distributed between the State Department, the Army, the Navy, the Treasury, and other departments? Henry Wallace resigned because the President pulled his finger out of the pie.

And, Mr. Speaker, in the State Department itself recent investigations have shown there are so many individuals who are against an American foreign policy and in favor of some kind of foreign policy for Americans.

It is no wonder we have no American foreign policy. Under the circumstances it would be a miracle if we had one.

The SPEAKER. The time of the gentleman from New Jersey has expired.

PERMISSION TO ADDRESS THE HOUSE

Mr. MURRAY of Wisconsin. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

OLEOMARGARINE

Mr. MURRAY of Wisconsin. Mr. Speaker, on yesterday one of our distinguished colleagues, the gentleman from the great State of Connecticut [Mr. FOOTER], took it upon himself to discuss the oleo situation. I think my friend should check up a little on the oleo situation in Connecticut. I am sorry for the lady up in Connecticut who cannot get an Easter hat because of the quarter-cent a pound tax on oleo. This 4-cent yearly tax will not buy much of a hat. The passage of the proposed oleo bill might result in higher milk prices as well as higher oleo prices. That just shows the extent to which the oleo group has gone in selling their imitation product to the American people. No one in the world wants to keep anyone from eating oleomargarine if he wants to deceive himself and do it. All we are trying to do is to have them sell it to the people for what it is. With all the money that is being

poured into this propaganda now, I am not surprised that the gentleman makes the statement he makes. It is ridiculous, because in this speech he made yesterday he said that if more is produced it will not influence dairy cow numbers in the United States.

Mr. RIVERS. Mr. Speaker, will the gentleman yield?

Mr. MURRAY of Wisconsin. I cannot yield now. The gentleman's party was in power for 16 straight years. His party had complete control of both Houses of Congress, as well as the White House. Your party has been in power for 16 years, yet you did not bring out legislation to repeal this tax. Why all the interest so suddenly?

EXTENSION OF REMARKS

Mr. SMITH of Wisconsin asked and was given permission to extend his remarks in the Appendix of the RECORD and include a cablegram received from General MacArthur yesterday on the China-aid situation.

Mr. COLE of Missouri asked and was given permission to extend his remarks in the RECORD and include an editorial from the St. Joseph (Mo.) Gazette.

Mr. TWYMAN asked and was given permission to extend his remarks in the RECORD and include an editorial from the Chicago Daily Tribune.

Mr. KEEFE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein the script of a radio broadcast entitled "Home Is What You Make It," dramatized in connection with the World Day of Prayer and entitled "Abide With Me."

I may say, Mr. Speaker, that the script may and does exceed the limit prescribed by the Joint Committee on Printing, but I ask that the script may be included in my extension of remarks notwithstanding the excess.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. RICH. Mr. Speaker, I ask unanimous consent to extend my remarks in the Appendix of the RECORD and include an article entitled "What Is the Administration Policy?"—and it is not the Republican administration I am talking about.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. RICH. Mr. Speaker, I ask unanimous consent to address the House for

80TH CONGRESS
2D SESSION

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 4 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENTS

Intended to be proposed by Mr. REED to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz:

1 On page 22, between lines 11 and 12, insert the follow-
2 ing new subsections:

3 “(c) The procurement in the United States of grain
4 and grain products under this Act shall, to the maximum
5 extent possible, and subject to the determination of the
6 Administrator as to amounts which may be transferred to
7 a participating country, be made by such country or its

1 agents directly from commercial firms rather than through
2 any department, agency, or establishment of the United
3 States Government.

4 “(d) In order to assure the conservation of domestic
5 grain supplies and the retention in the United States of
6 byproduct feeds necessary to the maintenance of the agri-
7 cultural economy of the United States, the amounts of wheat
8 and wheat flour to be transferred to participating countries
9 shall be so determined that the total quantity of wheat used
10 to produce the wheat flour transferred to such countries
11 under this Act shall not be less than 50 per centum of the
12 aggregate of the unprocessed wheat and wheat in the form
13 of flour transferred to such countries under this Act.”

14 On page 22, line 12, strike out “(c)” and insert in lieu
15 thereof “(e)”.

AMENDMENTS

Intended to be proposed by Mr. Reed to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 4 (legislative day, FEBRUARY 2), 1948
Ordered to lie on the table and to be printed

80TH CONGRESS
2^D SESSION

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 4 (legislative day, FEBRUARY 2), 1948
Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. KNOWLAND to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 22, after line 20, insert a new subsection as follows:

- 1 (d) No export shall be authorized pursuant to authority
- 2 conferred by section 6 of the Act of July 2, 1940 (54 Stat.
- 3 714), including any amendment thereto, of any commodity
- 4 from the United States to any country wholly or partly
- 5 in Europe which is not a participating country, if the Sec-
- 6 retary of Commerce determines that the supply of such

1 commodity is insufficient (or would be insufficient if such
2 export were permitted) to fulfill the requirements of partici-
3 pating countries under this Act as determined by the Ad-
4 ministrator: *Provided, however,* That such export may be
5 authorized if the Secretary of Commerce determines that
6 such export is otherwise in the national interest of the
7 United States.

80TH CONGRESS
2D SESSION

S. 2202

AMENDMENT

Intended to be proposed by Mr. KNOWLAND to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 4 (legislative day, FEBRUARY 2), 1948
Ordered to lie on the table and to be printed

AUTHORIZING THE SECRETARY OF AGRICULTURE TO UTILIZE
SECTION 32 FUNDS TO ENCOURAGE THE EXPORTATION OF
SURPLUS AGRICULTURAL COMMODITIES AND PRODUCTS
THEREOF UNDER FOREIGN-AID PROGRAMS

MARCH 4 (legislative day, FEBRUARY 2), 1948.—Ordered to be printed

Mr. AIKEN, from the Committee on Agriculture and Forestry,
submitted the following

REPORT

[To accompany S. J. Res. 187]

The Committee on Agriculture and Forestry, to whom was referred the resolution (S. J. Res. 187) authorizing the Secretary of Agriculture to utilize section 32 funds to encourage the exportation of surplus agricultural commodities and products thereof under foreign-aid programs, having considered the same, report thereon with a recommendation that it do pass without amendment.

Senate Joint Resolution 187 would enable the Secretary of Agriculture to utilize funds appropriated by section 32, Public Law 320, Seventy-fourth Congress, as amended, for the purpose of encouraging the exportation of agricultural commodities and products thereof surplus to domestic needs for utilization pursuant to any act providing for relief or assistance to foreign countries. The Secretary of Agriculture would be authorized to encourage such exportation and utilization by making payments, including payments to any Government agency procuring or selling such commodities or products, in an amount not to exceed 50 percent of the sales price (basis f. a. s. or f. o. b. vessel United States ports), as determined by the Secretary, of such agricultural commodities or products thereof. If the sale is made by a Government agency, such sales price cannot be less than the cost of such commodities or products to such agency. Senate Joint Resolution 187 also cancels the rescission of the remainder of section 32 funds by the act of July 30, 1947 (Public Law 266, 80th Cong.), and thereby makes available an additional \$40,000,000 for the purposes of section 32 for the fiscal year ending June 30, 1948.

A statement by Hon. George D. Aiken to the Senate February 20, relative to the resolution, is attached hereto and made a part of said report.

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- 8 out the purposes of clause (1), section 32, Public Law 320,
- 9 Seventy-fourth Congress, as amended, may make payments,
- 10 including payments to any Government agency procuring or

1 selling such commodities or products, in an amount not to
2 exceed 50 per centum of the sales prices (basis free along
3 ship or free on board vessel, United States ports), as deter-
4 mined by the Secretary, of such agricultural commodities
5 or products thereof: *Provided*, That, if the sale is by a
6 Government agency, such sales price shall not be less than
7 its cost.

8 The rescission of the remainder of section 32 funds by
9 the Act of July 30, 1947 (Public Law 266, Eightieth Con-
10 gress), is hereby canceled and such funds are hereby made
11 available for the purposes of section 32 for the fiscal year
12 ending June 30, 1948.

[Report No. 966]

JOINT RESOLUTION

Authorizing the Secretary of Agriculture to utilize section 32 funds to encourage the exportation of surplus agricultural commodities and products thereof under foreign-aid programs.

By Mr. AIKEN

FEBRUARY 20 (legislative day, FEBRUARY 2), 1948
Read twice and referred to the Committee on
Agriculture and Forestry

MARCH 4 (legislative day, FEBRUARY 2), 1948
Reported without amendment

REPORT ON GERMANY

PRELIMINARY REPORT THIRTEEN

RECOMMENDATIONS BY SUBCOMMITTEE ON GERMANY

CONSISTING OF

FRANCIS CASE, South Dakota, *Chairman*

JOHN M. VORYS, Ohio

CHARLES W. VURSELL, Illinois

EUGENE E. COX, Georgia

OVERTON BROOKS, Louisiana

OF THE

HOUSE SELECT COMMITTEE ON FOREIGN AID

PURSUANT TO

H. Res. 296

A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



MARCH 4, 1948.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1948

SELECT COMMITTEE ON FOREIGN AID

CHARLES A. EATON, New Jersey, *Chairman*
CHRISTIAN A. HERTER, Massachusetts, *Vice Chairman*

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CHARLES A. WOLVERTON, New Jersey
AUGUST H. ANDRESEN, Minnesota
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CARL J. FRIEDRICH, *Staff Consultant*
PETER V. MARTIN, *Staff Consultant*

80TH CONGRESS } 2d Session }	HOUSE OF REPRESENTATIVES }	REPORT No. 1500 }
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REPORT ON GERMANY

MARCH 4, 1948.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. HERTER, from the Select Committee on Foreign Aid, submitted
the following

PRELIMINARY REPORT THIRTEEN

[Pursuant to H. Res. 296]

REPORT ON GERMANY

PRELIMINARY STATEMENT

Twice in a lifetime, the German people under evil leadership have upset the stability of Europe and the peace of the world. Today, the United States has a major responsibility for the political, economic, and social life of 46,000,000 German people in the western zones. Whether their capacities contribute to world order or world disorder is largely in our hands. We pay the costs of failure, in any case.

Prewar Germany had 69,000,000 people occupying 181,000 square miles of land, a population density of 382 per square mile. Postwar Germany has 66,000,000 people occupying 138,000 square miles of land, a population density of 477 per square mile. The lands lost were largely food-producing lands plus the industrial area of Silesia. The population, although approximately the same, lacks the skilled labor of 2,000,000 able-bodied men who went to war and have not returned, and of many more who never can return. If these prisoners were added, the German population would reach approximately prewar numbers with 24 percent less territory.

Prewar Germany even under pressure never produced more than 80 percent of her food supplies. The deficit was made up through exchange of goods manufactured by combining rich coal deposits, raw materials, skilled labor, scientific knowledge, and a willingness to work. Today, the major cost of feeding the German people falls upon the American taxpayer and upon the American consumer.

It is impossible to separate the economic problem in Germany from the political. Six million at least, possibly 10,000,000 of the people in postwar Germany, most of whom we are feeding, are persecutees, refugees, or expellees—non-self-suppliers living there because of political decisions.

The boundaries of the four zones were fixed by political decisions; the significance of which is suggested not too inaccurately by the quip that "the Russians got the farm lands; the English got the industry; and the United States got the scenery."

The extent to which we direct and determine the life of present-day Germany needs to be realized by every citizen of the United States, as well as the conditions under which we operate and the ways in which we proceed. We cannot solve the economic problems confronting us unless we make new political decisions.

Four powers—Soviet Russia, England, France, and the United States—occupy Germany today, each in a zone of its own, coming together in an Allied Control Authority. Berlin, while within the Russian zone, is divided into four sectors. In our sector of Berlin and in our zone of former Germany, the word of our military government

is the supreme law, subject to such quadripartite agreements as may have been made. Quadripartite agreement has been difficult to achieve, due to frequent unilateral action by the Soviet Union in her zone or refusal to join in steps which the other powers believe are essential to European recovery. France and Britain have also had differences which delayed action. This has forced the United States to go ahead with such measures in her own zone and in other western zones to the extent that their zonal authorities would join. This policy was announced at Stuttgart by Secretary Byrnes in September 1946, and constituted a partial abandonment of the so-called Morgenthau plan as followed at Potsdam and Yalta.

Since Stuttgart, the United States and England have been moving in the direction of a bizonal administration. Recently the United States took over additional responsibilities in the British zone, chiefly the supplying of 90 instead of 50 percent of the dollar-cost of the deficiencies in food, raw materials and other import costs of the bizonal area. An integrated staff with a United States representative at the top, but still bifurcated, is to administer the bizonal area although its administrative share and its voice in policy is not commensurate with the share of the load thrust upon it.

This means that, like it or not, the United States is the major occupying power in what once was Germany. Under international law and under conventions of The Hague which we signed many years ago, the occupying power has a definite responsibility that a reasonable subsistence be assured the civilian population.

As former President Hoover has said, "The United States cannot be indifferent to, nor escape responsibility for, what happens under the American flag."

There can be no hope for stability in a hungry Germany. That alone, however, is a negative approach to the problem. The German people have capacity—a capacity to produce goods for themselves and for the wants of the world. The German people have ambition and willingness to work—whether for the welfare or the woe of the world depends upon the direction and opportunity provided.

It is the conviction of this committee that there can be neither prosperity nor security in a world economy which feeds the German people but fails to win the constructive contribution to world society which they are capable of making.

The recommendations made at the outset of this report rest upon economic facts and political situations found to exist by the subcommittee which devoted 4 weeks of intensive travel and study to the conditions in Germany in September and October 1947, and to prior and subsequent study and correlation of information and developments.

While it is recognized that administration is the responsibility of the executive branch of the Government, the Congress is ultimately responsible for the policies of the United States expressed in legislation and for examination of the ways in which policies are carried out. Under present conditions of world-wide shortages in food and the interrelation of other matters, what the United States does abroad has an inevitable effect upon domestic legislative decisions. Special responsibilities devolve upon the House of Representatives in connection with policies which involve large expenditures. Hence, the scope of the recommendations herein.

The aims of the recommendations are—

1. To enable western Germany to get on her feet, economically, and off the backs of the United States taxpayer.
2. To bring the productive capacity of Germany, her people and her material resources, into position to contribute to world stability.
3. To encourage the development of a democratic Germany as a bulwark of world peace.

RECOMMENDATIONS

The recommendations will be classified under three heads—governmental, economic, and social.

GOVERNMENTAL RECOMMENDATIONS

It is the view of the subcommittee that the Government of the United States should not recognize as final the boundaries temporarily assigned at Potsdam for occupation purposes. As Secretary Byrnes has said these agreements were merely provisional and depended upon the final peace treaty to reestablish Germany as an economic and political unit. It seems hardly necessary to point out that Soviet obstruction has been mainly responsible for making such a treaty impossible.

Since action to restore the economic health of Germany is long overdue, the subcommittee, reluctantly accepting the verdict of the London Conference of December 1947 that a single administration for all Germany is not possible at this time, recommends:

1. That immediate steps be taken to make the United States voice in administration and policy of the Western zones commensurate with the share of the costs it pays. The latest agreement with the British for bizonal Germany does not do this. The subcommittee feels that Congress should be consulted in the making of agreements, involving financial commitments by the United States.

Congress must no longer be confronted with agreements involving commitments requiring congressional appropriations, without prior consultation. Repeated attempts of the Executive to force congressional action by this technique may result in embarrassing the Executive rather than the Congress. In our domestic government as well as in international affairs, cooperation is a two-way street.

2. That our representatives on the Allied Control Authority seek to establish the right to complete freedom of movement for all citizens of Berlin to move to and from the zones with which their residence sectors are affiliated, moving over established routes.

(NOTE.—It is costing the United States \$6,000,000 per month to feed its sector of Berlin alone. Additional responsibilities for the British and French sectors will raise this cost to a total of possibly \$175,000,000 per year for the city of Berlin alone. The United States is entitled to have this cost reduced by whatever is possible through greater exchange of goods and services between the populations for which it has responsibility.)

3. That the State Department negotiate with France for restoration of the historical identities of Württemberg and Baden by permitting the southern portions of those states to join the northern portions as an integrated unit in the economic fusion of the laender in the western zones; and for affiliation of the Saar with France in accord with the plebiscite recently conducted.

4. That the states of Germany which are free to do so be encouraged to form a constitutional government at the earliest possible date: a government with powers prescribed by and derived from the member states, a government which other German states could join when free to do so, and free itself to join any federation of free states looking toward the economic stability of Europe and world peace.

5. That the duties and responsibilities heretofore performed by United States military government in Germany (but not the army of occupation) be turned over to an Administration for Occupied Territories with a Director-General to be named by the President and confirmed by the Senate, with powers, duties, and policies prescribed by act of Congress.

(NOTE.—It is the belief of the committee that the German people are capable of working out the details of production and distribution, if told what is expected of them. Great economies in personnel and administrative costs can be achieved by limiting occupation administration to the fixing of goals and limitations with an inspectorate to see that both are observed. The power would be reserved, of course, to protect, at need, law and order and military security through the army of occupation which is and has been distinct from military government. These same principles should be required in other zones where the United States foots the bill.)

6. That the Administration for Occupied Territories be directed to reduce United States personnel and administrative details to a minimum by turning executive as well as judicial and legislative duties over to the several laender and appropriate fusions thereof.

(NOTE.—In view of the repeated protestations of the State Department in the European Recovery Program hearings, that it is not an operating organization, and in view of the past record, the subcommittee does not believe that transfer of the administration of the occupation on June 30, 1948, is a satisfactory final solution of this problem.)

7. That Congress create a Legislative Advisory Committee for Occupied Territories to work with the legislative bodies of the several German states or a federation thereof in an effort to give all possible assistance to the development of a practicable, workable system of representative government from the smallest local governmental unit to the largest.

(NOTE.—The parliamentary bodies of England and France should be invited to assign like representatives on this advisory committee. Membership should be restricted to persons who have a proven understanding of workable and desirable procedures in representative government; e. g., have themselves been elected and reelected to public office by popular vote.)

ECONOMIC RECOMMENDATIONS

1. That the Allied military governments proceed immediately with a realistic currency reform designed to discourage black-market operations and to encourage the production and distribution of needed food and clothing.

2. That a minimal ration of 2,000 calories be guaranteed children under the age of 15 and that a schedule of incentives for food production be authorized toward accomplishing a like minimal ration for the civilian population as a means toward general recovery.

3. That a special incentive schedule be authorized for the production of coal by permitting Germany to retain for industrial and heating purposes all the coal mined beyond the minimum essential exports of coking coal to liberated neighbors.

4. That restrictions on the production of fertilizer be immediately abolished as an indispensable step in increasing the self-production of food.

5. That the dismantling of plants in the western zones be temporarily suspended in order that the list of those scheduled for dismantling may be restudied by a congressional committee to determine where they can best be used for the economic recovery of Europe, including the German states.

(NOTE.—Officials representing both the Department of State and the Department of the Army have stated that they consider the plants listed for dismantling to be surplus to future German needs, in the light of possible supplies of materials and of manpower. They also hold that it is important to go through with the program for dismantling, in order to avoid the appearance of indecision that would otherwise result. The subcommittee is mindful of these considerations, but feels that the weight of the argument, in view of the fact that the list was prepared before any serious consideration of a European recovery program, requires a review. The provision for Germany of \$322,000,000 out of the \$6.8 billion requested for the first 15 months of the ERP is also so low as to throw into question the soundness of the projected recovery of western Germany in 1948 to 1949 to only 40 or 50 percent of prewar production levels, when nearly all other Western European countries will be at or higher than prewar levels.)

6. That any supply of new railroad cars for western Europe be conditioned upon an undertaking by the countries receiving the new cars to increase by a larger number the used cars in serviceable condition returned to Germany, and to drop claims to German cars as reparations. This should apply to the 20,000 new cars projected by the State Department, after scaling down the C. E. E. C. requests, to be produced in the United States for western Europe prior to July 1, 1949.

7. That the proposed Administration for Occupied Territories be authorized to negotiate to stop deliveries of German ships under reparations account and be authorized to acquire surplus ships from the United States Maritime Commission and the War Assets Administration and to charter them under proper operating restrictions to nationals or agencies of the occupied territories for the following purposes: fishing, transport of relief supplies contributed either by individuals, or the Government of the United States, and transport to the United States of salvaged scrap from the harbors and battlefields of Germany for which appropriate credit shall be given on occupation charges.

8. That operation of the Export-Import Agency be turned over to the Germans themselves, under inspection, with freedom to exchange goods with other countries, including the United States, on such terms as they are able to negotiate and to acquire such dollar exchange or other foreign credits, subject to priorities for the production and export of bottleneck items needed for European recovery and to security control over imports.

(NOTE.—This implies the necessary freedom of movement and contractual initiative, subject to the inspection of contracts and factories to conform to policy directives of the Occupation Administration.)

9. That the management of German industry be turned over to its owners under such restrictions as are consistent with occupation policies, allowing full freedom to make such use of raw materials or use of foreign exchange credits as are consistent with agreed-upon claims (such as the coal agreement, and restrictions indicated in recommendation 8 above).

10. That the schedule of levels for the different industries of Germany under the Revised Level of Industry Agreement of August 29, 1947, be reviewed in detail by the Occupation Administration in the light of any program for European economic recovery, and a report with recommendations for changes be made to Congress by March 31, 1948, and annually thereafter.

SOCIAL RECOMMENDATIONS

1. That denazification proceedings on all but "major offenders" be ended by May 8, 1948 (the third anniversary of VE-day) through proclaiming full amnesty for all "lesser offenders" and "followers" whose clearance proceedings have not been completed by that date, and that full faith and credit be accorded the holders of this and prior amnesty or clearance cards by all agencies of the United States Government, thereby granting full freedom of movement and the right to work and to enroll in educational institutions and to participate in government.

2. That an effort be made to reduce the burden on the German economy and the occupation by finding homes abroad for so-called displaced persons and the millions of peoples expelled from the former German provinces to the East, as well as from non-German territories under Soviet control.

(NOTE.—The committee wishes to call particular attention to the large numbers of expellees from the Baltic countries, accustomed to hard conditions and a difficult climate, and to the possibilities for settlement of these people in areas where population has been declining, and in western Canada, Alaska, Kenya, Brazil, Argentina, and other lightly populated areas.)

3. That any nation receiving aid from the United States under any program for European recovery holding able-bodied workers as German war prisoners be required to permit their return to Germany before receiving such aid.

4. That any program of social reform in the fields of land management or tenure, social insurance, and public health be subordinated to economic recovery in the occupation administration; that the Germans be required to operate and finance sufficient schools to afford full educational opportunity, but that careful supervision be maintained to encourage the development of democratic education; and that the exchange of American teachers and students with German institutions be encouraged by making such programs as the Fulbright and Smith-Mundt Acts available to them.

The committee believes that carrying out these recommendations will go far in putting Germany on her feet, relieve the United States taxpayer of immense occupation costs, bring to the cause of world stability and European recovery the great capacities of the German people and aid much in developing the Free States of Europe as a bulwark of world peace and of free institutions.

THE SUBCOMMITTEE FOR GERMANY,
FRANCIS CASE, South Dakota, *Chairman*.
JOHN M. VORYS, Ohio.
CHARLES W. VURSELL, Illinois.
EUGENE E. COX, Georgia.
OVERTON BROOKS, Louisiana.

WHAT WESTERN EUROPE CAN DO FOR ITSELF

PRELIMINARY REPORT FOURTEEN OF THE HOUSE SELECT COMMITTEE ON FOREIGN AID

PURSUANT TO

H. Res. 296

A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



MARCH 4, 1948.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1948

SELECT COMMITTEE ON FOREIGN AID

CHARLES A. EATON, New Jersey, *Chairman*

CHRISTIAN A. HERTER, Massachusetts, *Vice Chairman*

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W. Y. ELLIOTT, *Staff Director*

THEODORE GEIGER, *Staff Consultant*

80TH CONGRESS } 2d Session }	HOUSE OF REPRESENTATIVES }	REPORT No. 1501
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WHAT WESTERN EUROPE CAN DO FOR ITSELF

MARCH 4, 1948.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HERTER, from the Select Committee on Foreign Aid, submitted the following

PRELIMINARY REPORT FOURTEEN

[Pursuant to H. Res. 296]

WHAT WESTERN EUROPE CAN DO FOR ITSELF

SUMMARY

1. Part I, the European situation, shows that the war and its aftermath have aggravated to a critical point certain basic economic difficulties of western Europe. The difficulties are those which must be faced by a region which, with relatively slender natural resources, attempts to maintain a disproportionately large population by being an industrial workshop and commercial middleman for the rest of the world.

2. Part II, the possibilities of western European recovery, assesses the extent to which western Europe's export trade can be revived to the point where it will pay for necessary imports, and concludes that an adequate increase in exports depends upon the adoption by the 16 nations of western Europe not only of individual but of joint measures for raising their productive efficiency.

3. Part III, a program for western European recovery, outlines some of the measures of economic cooperation and mutual help which merit the attention and study of the 16 nations of western Europe.

4. Part IV, the dangers of complacency, warns that the flow of dollar credits and grants to western Europe creates the illusion of recovery without by itself overcoming any of the basic economic difficulties of western Europe. A lasting recovery can be accomplished if the 16 nations utilize the breathing spell, which would be afforded them if the Congress approves a European recovery program, to devise and carry out for themselves the measures of mutual assistance and cooperation which can make the economy of western Europe again self-supporting. In the light of the foregoing analysis, the report concludes with a brief review of the shortcomings of American foreign economic policy since the war.

INTRODUCTION

The United States is the greatest industrial and agricultural nation in the world with an output of manufactures equal to that of all other countries combined. Our economic policies both at home and abroad are of the most vital concern to every nation of the earth. No people except the most isolated and the most primitive are unaffected by our actions. Yet neither our friends nor our detractors in other lands have a clear picture of the foreign economic objectives of the United States. The Communists everywhere denounce us as imperialists and warmongers, lusty to enslave the whole world with our dollars and our atomic bombs. At the other extreme, many of our friendly critics regard us as generous but impractical visionaries, seeking vainly to convince the world that it can return to a vanished era of unrestricted

trade and gold-standard currencies. It would be difficult to say which of these views is the greater exaggeration.

If approved by the Congress, the 4-year European recovery program would be one of the most ambitious economic ventures ever undertaken by a government in peacetime. Its success would require that both our own people, who would bear the burdens, and our friends in Europe, who would receive the benefits, understand just what such a program should and can accomplish. For those purposes, as well as for the use of the Congress and the guidance of such executive agencies as may be given responsibilities for any program of foreign aid, the Select Committee on Foreign Aid presents this analysis of some of the major economic problems involved in the proposed European recovery program.

The select committee has, through its investigations, been attempting to find answers to three basic questions:

(1) Does western Europe require American aid, and, if so, how much?

(2) Is there a reasonable chance that western Europe can repay the United States for loans and grants, or should American aid be extended wholly or in part in the form of gifts?

(3) Can American aid of any type be effective in making the western European economy once again self-sustaining, or are we only, in effect, assuming a more or less permanent burden?

The discussion which follows is based on preliminary findings of the select committee and does not, therefore, try to answer any of the foregoing questions directly. Rather, it outlines the basic considerations which must be kept in mind in finding the right answers, especially the answer to the last question. Nor does this report attempt to answer a related and no less important question: Can purely economic assistance suffice to restore the nations of western Europe to stability and health? The military, political and psychological aspects of American foreign policy are admittedly important, but they enter into this report only incidentally and to the extent that the economic effects of the widening breach between the Soviet bloc and the western democracies can be directly traced.¹

The select committee has already issued a series of preliminary reports, and plans others in the near future on various aspects of the foreign aid problem. The measures of self-help which western European nations might undertake on an individual basis have been or will be treated in those reports. This discussion, therefore, limits itself solely to the problems which might be solved by intra-European economic cooperation—by mutual help.

In this connection it should be clearly understood that the suggestions herein made, especially in part III, are in no sense formal recommendations of the select committee nor should they be considered as conditions whose adoption might be a prerequisite for the extension of American aid. The select committee cannot determine in detail or authoritatively what western Europe can do for itself, nor does the select committee deem it appropriate or feasible that conditions of this type be attached to the European recovery program. All that

¹ Due attention should be given to Mr. Bernard Baruch's proposal to the Senate Foreign Relations Committee that the participating countries and the United States organize a joint political, military, and economic defense.

the select committee wishes to accomplish is to outline the problems and to stimulate discussions both at home and abroad of the measures of mutual cooperation which the nations of western Europe might take for achieving a full and lasting economic recovery.

If the Congress authorizes the European recovery program, the United States can help the western European nations in carrying out such measures of mutual assistance and cooperation as those countries may deem useful and appropriate. But, to be effective, American help must be administered through an agency which is actively interested in a program of European integration and which possesses the necessary business experience, flexibility, initiative, and firmness for translating that interest into intelligent and practical cooperation with the European countries. The type of organization recommended in the Select Committee's Preliminary Report No. 8, "Proposed Principles and Organization for Any Program of Foreign Aid," provides the best answer to the administrative problem.

I. THE EUROPEAN SITUATION

In the formulation of an economic program for western Europe, it is important to realize that the war and its aftermath of political unrest, world-wide shortages and natural calamities have only aggravated to a critical point western Europe's organic inability to support its large population from its own relatively slender resources of food and raw materials. Europe west of a line from Stettin on the Baltic to Trieste on the Adriatic has always imported a substantial proportion of its foodstuffs and industrial raw materials ever since it became one of the world's major workshops in the nineteenth century. The chief sources of its supplies have been those areas of the world which required manufactured goods and had bulk foodstuffs and raw materials to offer in exchange—eastern Europe and the Dominions and colonies of the western European nations and Latin America. Western Europe's dependence on trade is emphasized by the fact that in the prewar period the per capita imports of the inhabitants of western Europe were approximately four times the per capita imports of the population of the United States, although the European standard of living was considerably below the American.

The physical volume of goods shipped from western Europe to the rest of the world in the prewar years did not equal in value the supplies which had to be obtained from outside. The difference was made up by the so-called "invisible items" in the trade balance—income from overseas investments, especially in the dollar area and the European colonies, earnings from shipping, insurance and commercial financing, remittances of emigrants and the money spent in Europe by tourists.

In order to produce the manufactured goods and specialized foods and beverages necessary for maintaining its large volume of trade with the outside world, western Europe also had to have a substantial volume of exchanges among its component countries. The iron ore of Sweden provided raw materials for British steel, while British coal enabled the Swedes to make their own steel products. Within the

complex cross-currents of intra-European commerce, the United Kingdom and Germany were the two centers. Together they provided the chief market for the products of the other European countries and were the chief suppliers of coal, of semifabricated materials such as steel and textile yarns, of industrial and agricultural machinery, of electrical goods, chemicals, and transportation equipment. In a sense, this intra-European trade was and still is as necessary for the economic health of western Europe as our own interstate commerce is for maintaining the American standard of living. But, whereas our interstate commerce is relatively free to move anywhere within a single, large, political and economic unit, the internal trade of western Europe is carried on among 16 independent nations, separated by tariff barriers and other restrictions, and without freedom of movement for persons, goods or currencies across national boundaries.

The production of the countries of western Europe and their trade among themselves and with the rest of the world were linked and sustained by a long-established system of commercial, financial and general business relationships. The cartels and the monopolistic parts of this network have rightly been condemned on both sides of the Atlantic as restrictions adversely affecting the European economy. However, the nonrestrictive agencies and business houses within this system rendered legitimate and indispensable services in agricultural, commercial and industrial financing, in merchandising, in distribution, in the exchange of economic and technological information, and in the cooperative solution of business problems. Here again the two centers were Germany and the United Kingdom, the latter of especial importance in that financial relationships depended in large part upon the stability and free convertibility of the pound sterling and the world-wide connections of the financial houses of London.

The war and its aftermath have so seriously weakened the main pillars on which the economic structure of western Europe rests that it is sustained at present levels only by the marginal supports provided by the United States, the British Dominions and some South American countries.² The physical destruction and damage to the productive resources of Europe resulting from military operations, sabotage, and more than 7 years of intensive exploitation without adequate fertilizer and industrial maintenance and repair, are all too evident and too well known to require reemphasis here. But not enough attention either in the analysis of the situation or in the planning of ameliorative measures has been devoted to the intangible but no less important damage suffered by the intricate system of business and financial interrelationships and institutions in western Europe. The difficulties involved in rebuilding a working system of relationships have been a major impediment to the recovery of Europe.

The productive energy of the people of Europe declined considerably during and after the war. Their physical stamina and ability to work hard have been reduced by malnutrition and inadequate housing and their morale has been sapped by the continuation of attitudes

²It is unfortunately unavoidable in a report of this character to refer generally to "Western Europe," but it should be understood that the observations herein made do not apply equally to all of the 16 countries. Some of the countries, such as Switzerland and Sweden, have relatively few problems; others, like Belgium, have made remarkable recoveries; still others are a long way from economic health.

and tactics learned in the resistance movement, by the political instability and by the apparent hopelessness of the future. The difficulties in maintaining at adequate levels the basic economic exchanges between town and countryside have aggravated the shortages of foodstuffs in the industrial centers and the shortages of manufactured consumers' goods in the farming areas. Consequently, neither farmers nor workers have tangible incentives to work hard, as the former cannot find consumers' goods on which to spend their paper incomes and the latter cannot afford black-market food to supplement their meager rations. An additional cause of the decline in productivity is the fact that many trained workers and technicians lost their lives during the war and others were deported by the Nazis or voluntarily migrated to sections where food and shelter were more adequate. The average age of miners and industrial workers has increased, thus further lowering labor's efficiency.

Since the war, Europe's requirements are greater than ever for fertilizer to restore the soil, for agricultural and mining machinery to replace lost workers and make up for reduced labor efficiency, for industrial and transportation machinery and equipment of all kinds, for steel, lumber, and building materials to reconstruct homes and factories. But reconstruction requirements and the accumulated replacement demands of 7 years of enforced neglect cannot be met quickly from a production which at best approximates or slightly exceeds the prewar levels in only a few countries and for relatively brief periods.

Of the two centers of European industry, Germany was virtually eliminated as a supplier and the United Kingdom seriously weakened. The effects on the rest of western Europe of the elimination of Germany and the decline of Great Britain cannot alone be measured in tons of coal lost and quantities of machinery and repair parts unobtainable. As indicated above, these two countries were focal points around which the European economy was organized. The loss by the Low Countries of the German transit traffic and the stagnation of that part of the multilateral trade previously based on the convertibility of the pound sterling are but two instances of the deep ramifications which adverse developments in England and Germany have on the rest of Europe.

The present inadequacy of the indigenous European production of foodstuffs and manufactured goods resulting from the war's impact on labor, land and capital equipment has still further increased western Europe's always large dependence on trade with the outside world. But while western Europe now needs more food from outside than before the war in order to maintain even a minimum subsistence diet, her ability to obtain these supplies is less than prewar because of world-wide shortages, high prices and her own lack of suitable manufactured goods to offer in payment for imports. Even raw materials, such as coal, and many manufactured goods in which Europe was formerly self-sufficient must now be obtained in substantial quantities from abroad.

While western Europe's dependence on outside supplies is thus greater than ever, there has been since the war an unfavorable change in the sources from which its needed imports originate. The natural resources of eastern Europe no longer supply the grain, the foodstuffs,

the petroleum and the forest products which formerly used to flow to the west in such large volume in exchange for manufactures and as earnings on British, French and German capital invested in the Slavic countries. Eastern Europe has suffered its own war devastation; until recently crops have been poor, and the bulk of whatever exports were possible has been exacted by the Soviet Union as reparations, as payment for occupation costs, or under enforced commercial agreements. Western Europe's capital investment in the Slavic states have been dissipated, confiscated or frozen. Until now, the west has lacked the manufactured goods which might tempt the Russians and some of their satellites to overcome their calculated ideological antipathy to trading with their former allies.³

The loss of eastern European supplies, the devastation of Far Eastern sources by the war, and the colonial unrest in Asia and Africa have forced western Europe to look to the United States, the British Dominions and Latin America for the bulk of its import requirements. But these are precisely the regions with which western Europe has had the most difficulty in trading. Even if the European countries possessed the goods, it is doubtful whether they could sell them in sufficient volume in the United States to pay for everything which necessity and shortages in other areas compel them to import from here. Nor can they earn the required dollars by selling to other countries which may have a more favorable balance of trade with the United States. For example, before the war Britain bought cotton from the United States and sold textiles made from the cotton to Brazil. Brazil paid for the British textiles with dollars obtained by selling coffee to the United States, and thereby enabled Britain to pay for American cotton. This type of trade is "triangular" or, to use the general term, "multilateral." The plain facts are, however, that not only does Europe lack the exportable goods, but no other region now possesses a surplus of dollars. Triangular or multilateral trade is thus made extremely difficult. Earnings from the "invisible items"—overseas investments, shipping, insurance, tourists—though helpful, are also much below prewar.

The basic elements in western Europe's economic crisis thus converge and appear in their most conspicuous aspect as a deficit in the balance of payments with the dollar area. In this situation, only the substantial dollar credits and gifts available to Europe since the end of the war have enabled the 16 countries, taken as a group, to continue their essential imports from the rest of the world. Europe has been supplied with goods from the New World in particular because American gifts, grants, and loans have in large part directly financed imports from the United States and indirectly financed imports from Latin America by permitting the Europeans to use some of their commercially earned dollars for purchases in that area. In a similar way, loans and grants from the Dominions have also helped the United Kingdom maintain its imports.

Financial help from outside, however, has not saved most European monetary and fiscal systems from grave difficulties. The costs of the Nazi occupation, the expenses of the war, the sale of gold and foreign currency reserves to pay for imports, the prodigious expenditures for

³ It should be pointed out that Poland, Czechoslovakia, and Finland have nevertheless been able to undertake fairly substantial and mutually valuable trading commitments with several western European countries.

reconstruction and for subsidies to hold down the cost of living, and the difficulties of collecting taxes have unbalanced many national budgets and reduced the reserves behind most national currencies to the vanishing point. The internal inflationary pressure caused by the postwar scarcity of goods has been still further intensified by these factors.

With several exceptions, European currencies are not mutually interchangeable, and in many cases, except under limited and carefully defined conditions, cannot be repatriated to their country of origin for the purchase of export goods. There is almost complete lack of confidence in many countries in the value of national currencies, and wealth and savings are hoarded in the form of gold, dollars, business inventories, livestock or durable goods. The result is that, except for a small volume of commerce financed by Swiss, Swedish and Belgian credits, there is no intra-European trade today which is not carried on virtually by barter under strict bilateral compensation and clearing agreements.

It is possible, of course, to exaggerate the gloom of the picture just outlined, and it would be unfair to belittle the substantial recovery which has already taken place during the past 2½ years in Europe. In many branches of industry, production has at times reached or surpassed prewar levels. Despite 7 years of war, Nazi terror, hunger, cold, personal grief and political insecurity, the peoples of Europe have made remarkable progress in accomplishing painful but necessary tasks. But the fact remains that without the extraordinary measures of help from abroad western Europe's economy would not be able to maintain itself at its present levels.

II. THE POSSIBILITIES FOR WESTERN EUROPEAN RECOVERY

The basic questions are whether and under what conditions western Europe can again become self-supporting through the normal operation of the mechanisms of agriculture, industry, trade and finance. The best answer to the first is probably a qualified "yes." Everything depends upon creating conditions which will enable a small region, relatively poor in natural resources, adequately to feed, clothe and house a disproportionately huge population by processing raw materials and serving as a middleman in world trade and finance. This prescription, however, does not necessarily mean a "recreating" of all prewar conditions. Some were admittedly undesirable and others are too far decayed now to be revived even if desirable. The solution to the crisis of western Europe can be found in a realistic appraisal of future possibilities, not in a vain and impractical attempt to duplicate a vanished, and by no means satisfactory, past.

A. NATURAL RESOURCES VERSUS POPULATION PRESSURE

Admittedly, western Europe's natural resources of soil, minerals and forests are inadequate to maintain its huge population. Some emigration is both practicable and desirable, especially from countries such as Italy and Germany, if outlets abroad can be found. But the practical answer to the pressure of population on natural resources lies in a more efficient exploitation of the soil and mineral wealth of western Europe. In agriculture, for example, efforts already made must be

continued to raise the output per man as well as the output per acre. This means not only more and better machinery and fertilizer, but also intelligent study of the most efficient size and management of agricultural units and of the regional distribution of crops, and the introduction and development of new plants and species. It means the coordination of agricultural production and distribution on a continental basis, as in the United States. The abandonment of the prewar European objective of striving for uneconomic national self-sufficiencies in food production may well enable western Europe as a whole to become more nearly self-sufficient in agriculture.

B. INDUSTRIAL PRODUCTION

Europe may be deficient in natural resources but it is rich in the human skills and techniques necessary for successful industrial and commercial activities. With adequate repairs, replacements, raw materials and skilled labor, the present industrial plant of western Europe is capable of producing the physical volume of goods necessary for approximating the prewar levels of internal consumption and of exports. The basic question, however, is not one of volume but of costs of production, competition and export possibilities. These economic aspects of the problem will become more serious as industrial output increases and in the long run will determine whether the European economy can maintain itself.

C. FOREIGN TRADE

Even the best utilization of indigenous natural and industrial resources would not free western Europe from a greater dependence on foreign trade than any other region of the earth's surface. Assuming, as shown above, that physical production in Europe of the necessary export goods can be accomplished, what are the possibilities for finding outside markets which can absorb enough from the 16 nations to enable them to pay for imports?

As mentioned earlier, the foreign trade pattern of western Europe since the war has only been maintained by artificial means, i. e., dollar credits. Nor is it likely that the 16 nations can ever sell goods in sufficient volume in the United States to maintain by normal commercial means the current level of imports from this country. Furthermore, most of the European nations have already liquidated a large share of their investments in the United States, the income from which previously gave them the means for purchasing a significant portion of their American imports. As soon as credits and grants cease, trade with the United States will in all likelihood decline to roughly the same, or perhaps even less, importance in the commerce of western Europe as compared with prewar. Only extraordinary exertions and ingenuity in the development and promotion of old and new products will enable western Europe to attain the desirable objective of substantial increases in its normal commercial exports to the United States.

This probable decline must be made up by an increase in trade with other areas. Latin America should and probably can absorb a greater volume of European goods than before the war. The recovery of the Far East, the subsiding of colonial unrest and the proper development of colonial and backward regions in Asia, Africa and Oceania will

undoubtedly result in an increased trade between those parts of the world and Europe. But those largely tropical regions are incapable of supplying all of the raw materials, especially bread grains, coal and softwood forest products, necessary for restoring and maintaining a satisfactory standard of living in western Europe.

A major requirement for the recovery of western Europe's foreign commerce is thus a resumption of trade between eastern and western Europe. It is safe to say that without this revival western Europe will either become a permanent charge on the dollar area, the only other part of the world from which indispensable temperate zone products can be obtained, or else will face prolonged economic stagnation and eventual absorption by the Soviets.

Although the experiences of the last 2 years are disheartening, the prospects for a revival of east-west trade are actually bright. Such intercourse is as necessary to the future well-being of the Slav bloc as it is to western Europe. Eastern Europe must repair the ravages of the last war. Infatuated with fears or hopes of war with the democracies, the Communists of eastern Europe are striving to build up their military-industrial potential, but should those countries turn to peaceful objectives, such as raising the standard of living, they will require large quantities of industrial and transportation equipment and other manufactures which they are unable to make themselves. Once eastern Europe's production recovers and the proper export goods become available in western Europe, the barriers to trade imposed by the Communists' political objectives and doctrinal disregard for realities may diminish.

However, a revived east-west trade will probably be a different type of commerce than before the war. Whether for military or peaceful objectives, the countries of eastern Europe have embarked on ambitious programs of industrialization. The economies of the satellite countries are more and more controlled by the state and several of them are rapidly approaching the condition of state socialism. Under the circumstances, it is unlikely that the eastern European regimes will permit any substantial importation of consumers' goods, especially those considered to be luxuries or nonessential. For all these reasons, it is probable that in total volume a revived east-west trade will be below prewar.

Judged so far only in terms of potential markets and sources of supply, there is little doubt, therefore, that Europe's foreign trade can be revived, although not with the same composition, direction or volume as before the war or in the immediate postwar period. These probable changes in western Europe's foreign trade pattern constitute a most serious problem facing western Europe today.

Whether western Europe can make these potential foreign markets actual depends in large part on events within the 16 nations and Germany. The struggle to redevelop export markets will be a hard one—competition with other exporters will be keener than ever. In time the "sellers' market" will disappear, but not western Europe's imperative need to sell. In some instances, the high prices of exportable European surpluses have already prevented them from being sold abroad not only in competition with similar products but also where no competition exists.

Even after currency stabilization is achieved in western Europe it is unlikely that wages and other variable costs of production will decline to prewar levels. In more precise terms, the comparative position of the real costs of production in western Europe has greatly deteriorated in relation to the real costs of production in other regions, especially the United States. Unless adequate steps are taken, the European cost situation will probably not improve sufficiently to become truly competitive with costs in other industrial regions. Nationalization of many industries⁴ and the growth and strength of the trade unions and of labor governments will probably effectively prevent western Europe from becoming again a region of cheap labor and low-cost indigenous raw materials. Unless, therefore, drastic measures are taken to improve the efficiency of agriculture, mining, industry and transportation, western Europe will not be able to resume its place in world commerce and thereby earn the means for paying its own way. Nor will it be able to make up from its own resources and production the permanent deficiencies in its imports which will result from any failure to redevelop its exports.

The European countries are well aware of the necessity for raising their productive efficiency and have made attainment of this objective one of the major elements in their recovery programs. Almost all of the 16 nations have prepared more or less elaborate programs for new investments in capital goods. In France, for example, the well-known Monnet plan is a 4-year integrated program covering expansion and improvement of six basic industries—coal mining, electric power, steel, cement, agricultural machinery and transport. Other nations have less detailed and more informal plans, but all of the devastated countries know, if only in a general way, their production and new capital investment goals for the next 3 or 4 years.

In addition to their plans for improvements in the heavy industries, many of these countries have ambitious programs for expanding their production of manufactured consumers' goods, especially of consumers' goods for export. By this means they hope to increase their total exports as compared to prewar. The eagerness with which several of these countries offered new homes to the Sudeten German glassworkers expelled from Czechoslovakia is indicative of the desire of the western European nations to improve and expand their own productions of consumers' goods.

But it is not enough for each of the 16 countries to make its own plans for achieving greater efficiency in production. Inconsistencies, conflicts and imbalances among the several national programs can prevent each one of them from being wholly achieved. Duplication of production facilities; cutthroat competition for internal and outside markets; discriminatory freight and electric power rates; deliberate denial of access to, or onerous conditions for obtaining, each other's raw materials; over-all shortages of indigenous western European supplies—can all effectively nullify the best-made plans of individual countries. To succeed, the program of improving the productive efficiency of western European nations must include joint as well as individual efforts.

⁴ In this connection it should be pointed out that most of the industries which have been nationalized in western Europe were already sick or bankrupt, as for example, coal and transport in England and the firms acquired by the government reconstruction corporations in Italy. In contrast socialization in eastern Europe has proceeded without regard to the financial condition or economic prospects of industries.

III. A PROGRAM FOR WESTERN EUROPEAN RECOVERY

The report prepared by the Committee of European Economic Cooperation (CEEC), which met in Paris last summer, is a remarkable document without precedent in the economic history of Europe. For the first time, responsible representatives of 16 European nations prepared a common approach to the solution of their economic problems. It is hard for Americans who enjoy the benefits of a continent-wide economy to appreciate the significance of this step. But, while it is probably the most important economic development of the post-war years, it is still, nevertheless, only a first step which must be followed by other and more difficult strides if it is to help bring Europe to its goal of recovery.

The essence of the CEEC report is a statement of the consumption requirements and production goals over a 4-year period for the major categories of essential commodities and an estimate of the deficits which must be supplied from outside western Europe. It is not the intention to present here a critique of the quantitative estimates contained in the CEEC report, but rather to discuss the presuppositions and methods used in arriving at those estimates.

To a very large extent, the Paris Conference implicitly assumed that there would be little or no abatement of the economic nationalism of its member countries. The Conference arrived at its total figures by merely adding together the estimates of requirements, production and deficits submitted by each of its member countries. There was little "screening" of requirements or critical evaluation of production goals, nor did the terms of reference of the Conference permit it to undertake such work. Only at the end of the session, when the dollar deficit was found to be appallingly large, did the Conference undertake to make any reductions in the program—and these were generally uniform and fairly arbitrary cuts.⁵

It does not detract from the historical significance of the CEEC report to say that this limitation in conception and method is a serious weakness. If the creation of a self-sustaining economy in western Europe requires a greater efficiency in the exploitation of natural resources and industry, commerce and transportation, then the CEEC report is to that extent inadequate as a program for European recovery. One of many possible examples must suffice to illustrate this point.

Steel is a basic commodity in any industrialized society, and the 16 nations are justifiably concerned with rebuilding and expanding their steel production. Yet the CEEC report and the national recovery programs individually adopted by many of these countries make clear that each nation is striving to rebuild its own steel industry without regard to the plans and projects of the others. Whether there will be enough iron ore, coking coal, manganese and ferro-alloys available to each country; whether the scrap supply will be sufficient; whether ingot, semifinishing and finishing capacity will be in balance; whether plants will be located where they can be operated most cheaply and efficiently; whether markets will exist for the total output after recovery has been achieved; are all questions which, for western Europe

⁵ See also the observations on other weaknesses of the CEEC report in the Introduction to Preliminary Report No. 9 of the Select Committee on Foreign Aid (Break-down of European Requirements by Major Categories).

as a whole, have not been adequately considered.⁶ Possibly each country expects to inherit a share of former German markets, but it is equally possible in the long run that many of them will find themselves with excess or uncompetitive capacity languishing on their hands. The western European steel program should be an integrated program including Germany and should be based on a detailed study of the internal needs and export possibilities of western Europe as a whole.

In consumers' goods the situation is even more chaotic. Yet it would be thought that the bitter experiences of the 1930's had demonstrated to European countries the futility of irresponsible economic nationalism. If the rebuilt and expanded European industry is unbalanced, uncoordinated and uneconomic, the reward of all the labor, expense and sacrifice of reconstruction will be unemployment and an intensification of the restrictive and discriminatory trade practices of the pre-war period. It will make impossible the attainment and maintenance of any satisfactory standard of living in western Europe and will leave the populations of those countries still an easy prey to all manner of totalitarian panaceas. The adoption of measures to prevent these dangers is the essential contribution which the 16 nations can themselves make to the success of any European recovery program.

In the following paragraphs some suggested measures are briefly indicated. In general, they aim at bringing about a greater economic cooperation and interdependence among the western European nations with a resulting rise in productive efficiency. These measures will require detailed study and it may well be that upon investigation some will be found wanting in practicability or utility. Nevertheless, at this stage it is felt that they merit the careful and common attention of the 16 nations, if only to serve as a basis for provoking discussions.

A. INTEGRATION OF NATIONAL RECOVERY PROGRAMS

As mentioned before, most of the 16 nations of western Europe have formulated national economic programs covering production goals and new capital investments. The need for integrating these individual programs has already been outlined. The type, size and location of new plants should be determined on the basis of the contribution which they will make to increasing the efficiency of western European production in general. It is not enough to appraise the availability of raw materials, power, labor, transportation and markets in each country individually. Such decisions regarding new capital investments can only become fruitful if they are based on an accurate survey of the needs and capacities of western Europe as a whole. The interdependence of the manufacturing processes of the various countries should be studied—raw materials production should be related to the capacities of semi-finishing plants and these in turn related to the capacities of finishing plants. The potentialities of the internal European market and of the export market should be investigated to determine whether these markets can reasonably be expected to absorb all of the commodities to be produced under the national programs of the individual countries. Integration is equally important in agriculture, as indicated above. By jointly studying all of

⁶ See also Preliminary Report No. 6 of the Select Committee on Foreign Aid (U. S. Steel Requirements and Availabilities).

these problems, it should be possible for the 16 nations to arrive at mutually acceptable decisions regarding their individual production and investment goals.

An integrated western European program of capital investment might be the best advertisement for attracting private American financing into the European recovery program, and it would certainly give greater assurance to the Export-Import Bank and the International Bank for Reconstruction and Development that their present and future loans would eventually be repaid.⁷

The integration of the national recovery programs of the 16 nations is a measure first not only in importance but in difficulty. Yet, while short-sighted nationalistic delusions may make this work a bitter task for the participants, the very existence of economic rivalries and conflicting ambitions provides the raw material for negotiations—the leeway or “elbow room” within which compromises can be made, mutual concessions arranged, and each country granted a quid pro quo. In the midst of the bargaining, the essential objective should be kept clearly in mind—that western Europe must be made an efficient and economic workshop for the world if the 16 nations collectively and individually are to become self-sustaining once again.

B. CURRENCY STABILIZATION AND CONVERTIBILITY

Fully as important as the integration of the national economic programs is the restoration of the stability and free convertibility of the currencies of western Europe.

The solution to the problem of stabilizing currencies, however, cannot be found by international measures. The restoration of confidence, both at home and abroad, in a nation's currency depends upon the total economic situation confronting that nation—its internal production and consumption, its export availabilities, its budgetary and fiscal problems, its price and wage structure.⁸ Real and lasting currency stabilization in any country can only be achieved through that country's general economic recovery, and the degree of stabilization attained at any time depends directly on the degree of recovery. The CEEC report mentions the desirability of establishing a currency stabilization fund for western Europe and a study group of the 16 nations has been investigating this proposal. Such a fund could be at best only an artificial and purely temporary measure, and it is doubtful whether its expense would justify the limited results it could be expected to achieve. Insofar as any temporary benefit might divert attention from the real causes of the instability of currencies, a fund of the type proposed might in fact be detrimental to western Europe's economic recovery.

The free convertibility of currencies depends in turn upon a restoration of mutual confidence in the currencies concerned. Here again, international fiscal measures and devices cannot of themselves bring about currency convertibility, but they can, nevertheless, be helpful

⁷ Such an integrated European program could be easily correlated with the Select Committee's recommendations: (1) That the programing of all United States exports be a matter for the proposed new agency, under policy guidance from the President's Foreign Aid Council; and (2) that commercial loans rather than grants be used, except in very rare and emergency cases, for financing the capital investments and equipment portions of the program.

⁸ This aspect of the currency stabilization problem will be more fully treated in a forthcoming Select Committee report devoted to that problem.

in mitigating some of the adverse effects of inconvertibility on the volume and character of trade, especially of intra-European commerce. For example, recently several of the 16 nations—France, Italy, and the countries of the Benelux Union (Belgium, Netherlands, Luxembourg)—signed an agreement for the monthly clearing of their mutual payments through the agency of the Bank for International Settlements in Basel. A multilateral clearing agreement of this type cannot, of course, increase the total volume of commerce among its member countries beyond the point where exports balance imports unless some means can be found for financing the resulting deficit. It can, however, enable the member nations to engage in more flexible multilateral trade among themselves in contrast to the narrowly restrictive bilateralism which has hitherto prevailed. The usefulness of the present clearing agreement will grow as others of the 16 nations adhere to it.⁹

The next step may well be the establishment of a formal clearing house for European payments either under the Bank for International Settlements or as an independent international agency. By fixing a maximum level for the value of imports and a minimum level for the value of exports for each member country in relation to all the other members, a European clearing house might eliminate the necessity for detailed bilateral barter and compensation agreements with their attendant delays, inflexibility and cumbersomeness. Triangular trade within Europe would then become possible with resulting benefits to productive efficiency, the more economic distribution of European resources, and the more effective carrying out of individual and joint recovery programs. If some way could be found for financing the deficit on a long-term basis, it would be possible to eliminate the strict and periodic balancing of each nation's imports and exports and thereby enable the total volume of intra-European commerce to increase. The financing of the deficit might be undertaken either individually or jointly by the creditor members of the clearing house, the Bank for International Settlements, the International Monetary Fund and even by the United States as part of the proposed European recovery program.

C. REVIVAL OF GERMANY

As mentioned earlier in this report, Germany has always been one of the two focal points of the European economy. The industrial complex of mines and factories in the Ruhr and Rhine Valleys served not only Germany but the rest of Europe as well, and their low level of activity since the war has been a major element in delaying European revival. Eventually, it may perhaps be desirable to reduce the human and industrial overcrowding of the Ruhr by the emigration of workers and factories to other regions. But from a purely economic point of view, the most rapid recovery of Europe probably requires that the Ruhr factories remain and operate, for the present, where they are—close to some of their necessary mineral supplies, in the midst of established transportation and electric power networks, and with an experienced and skilled labor and management force ready at hand.

⁹ Five other nations—the United Kingdom, Norway, Denmark, Sweden, and Switzerland—have already joined the agreement in limited capacities.

Germany's neighbors in Europe have a justifiable fear of a revival of Germany's industrial might. Three times in the past 75 years have German armies based on German industries overrun Europe and threatened the freedom of the world. Even in the intervals of peace, the economic strength of Germany has frequently been used for attempts to dominate Europe for the narrow and dubious benefit of German cartels, trusts and monopolies.

Yet, surely, a compromise can be found between the dictates of economic logic and the prevention of future German military or economic aggression. Under proper safeguards, the mines and factories of the Ruhr can make an incalculable contribution to the recovery of the whole of Europe without endangering the peace and freedom of the world. Various plans have already been advanced. France advocates political separation of the Ruhr and Rhineland from Germany and the establishment of an independent political administration for the area under international supervision. The British have supported the contention of the German trade unions that nationalization of Ruhr mines and factories by the Germans will accomplish the same purposes. However, it is likely that both of these plans would create greater problems than they are designed to solve. Politically and economically, the French plan for the separation of the Ruhr and Rhineland from Germany would be unworkable. The militant irredentism of the Germans would be a perpetual source of war and political unrest and would certainly sap the productive efficiency of the Ruhr population. The Ruhr could not feed itself without the rest of Germany, nor could the latter produce food without the industries and mines of the Ruhr. Both regions would probably become perpetual economic charges of the only nation financially strong enough to bear the burden—the United States.

The British-German plan, too, is open to serious doubts. Unless a new generation firmly devoted to democratic ideals and practices arises in Germany there is always grave danger that a totalitarian regime of the left or right will use nationalized Ruhr industries for aggressive purposes with even greater ease and efficiency than the Nazis did in the last war. Furthermore, the speedy revival of the Ruhr mines and factories requires the drive and energy of private initiative, not the ponderous hesitation of a cautious bureaucracy.¹⁰

A compromise which has been suggested and which is worthy of careful study would be to leave the Ruhr and Rhineland politically and economically a part of Germany and, after the prewar cartels, trusts and monopolies have been abolished or reorganized under proper safeguards, to establish new corporations to own and operate selected basic mines and factories of the Ruhr in which private German and foreign capital, and the future German Government, would jointly participate. To supervise and regulate the operation, policies, and finances of these new corporations an international commission could be established consisting of representatives of the 16 nations, the future German Government, and the United States, with weighted voting and administration for the three powers which have occupation responsibilities in western Germany. The twofold objective of the international commission would be to ensure that the output

¹⁰ The immediate danger is, of course, a Communist dictatorship dominated by or allied with Russia. A democratic Germany, based on free economic institutions, is the best guarantee of European peace.

of the Ruhr made the maximum contribution to the economic well-being of Europe, including Germany itself, while at the same time preventing any revival of German economic or military aggression. For discharging its responsibilities, the international commission should have inspection powers over the premises, property, books, and accounts of the corporations, should have the right to review trade practices, labor relations, prices, wages, and new capital investments, and should, if necessary, direct sales to particular regions, countries and consuming industries. As so large a commission would be too unwieldy for executive functions, operating responsibility should be vested in a director-general or small board of managing directors. If the Soviet Union finally consents to a satisfactory unification of Germany, both Russia and her satellites might be permitted to participate in the supervision of the Ruhr on the condition that a corporate and commission structure with identical membership, powers and policies be established for selected mines and factories in all German territories occupied by Russia and Poland.

There are, doubtless, other plans which can accomplish the same objectives and which may be preferable to the one outlined above.¹¹ The essential point is not the details of the particular plan eventually adopted but whether it accomplishes the objective to be achieved—the reintegration of Germany into the European economy. The longer a satisfactory German settlement is delayed, the longer the recovery of Europe is postponed.

D. THE ROLE AND RESPONSIBILITIES OF THE UNITED KINGDOM

The problems of the other great center of the European economy—the United Kingdom—deserve equally careful attention. The freedom-loving peoples of the world owe a great debt to the British people—for their courage and sacrifices during the war when they faced the Nazis alone, and for the example of their fortitude, honesty and cheerfulness in the adversities of the postwar period. But even apart from the world's moral obligation to the British people, economic expediency requires a rapid recovery of the United Kingdom.

The first task should be a revival of British coal exports to continental Europe¹² to be followed by increased exports of industrial machinery, chemicals and transportation equipment. Easing of the financial problems of the United Kingdom would not only assist in increasing the flow of essential exports from Britain to western Europe by lessening the necessity for ever-growing exports to the sterling bloc countries, but would also make possible a revival of world-wide multilateral commerce by hastening the free convertibility of the pound sterling.

For well over a century and until the recent war, the pound sterling was the monetary unit for carrying on a substantial portion of the world's multilateral commerce. The movement of large quantities of goods, which in many cases never touched the shores of the United

¹¹ In the meantime, there is every reason why the administration and supervision of the Ruhr area should immediately be broadened to include the working participation of Omgus representatives and, when and if the French zone is merged with Bizonia, of representatives of the French occupation authorities as well. See Preliminary Report No. 13 of the Select Committee on Foreign Aid (Report on Germany).

¹² See also part IX of Preliminary Report No. 7 of the Select Committee on Foreign Aid (Coal Requirements and Availabilities).

Kingdom, was financed or managed through the extensive and world-wide network of British financial and commercial firms, agencies, and correspondents. This activity has languished since the war because of the inconvertibility of the pound sterling, and attempts to revive it by the use of the dollar, however flattering, have been unsuccessful. As shown above, no nation earns enough dollars to enable it to buy goods for dollars in countries other than the United States. In fact, the use of the dollar as a medium of exchange among foreign countries is symptomatic of the stagnation of world commerce and should not be regarded as contributing to world economic recovery. The dollar can probably never take the place of the pound sterling in world trade because the United States may never be an importer to the same relative extent, and on as world-wide a basis, as the United Kingdom.

Nor has it been possible until now for American financial and commercial houses to take the place of the British in financing multi-lateral commerce, especially in the more obscure and distant parts of the globe. American firms have not possessed the resources, the experience, and the foreign connections and branches for providing the same type of service in the trade among foreign countries that the British did and still can. Under present world political and economic conditions, profits are small and investments precarious, and it may well be that not enough American firms are interested in such activities. However, it would probably be both desirable and practicable for American business houses to assist their British counterparts in reviving those portions of world multilateral commerce where dollars are really needed and can be safely invested.

The revival of the pound sterling in world commerce depends in large part upon restoration of the free convertibility of that currency. But even an increase in British exports will not be sufficient to restore the full convertibility of sterling. The "frozen sterling balances" hang like a millstone about the neck of the British economy.¹³ A conference of the non-European nations, such as India, Egypt, and the Argentine, which hold frozen sterling balances, and of the other 15 nations of western Europe might work out a plan whereby parts of the sterling balances were canceled outright and other parts assumed by the nations whom Britain helped to liberate from the German yoke. The remainder would, it is hoped, be a manageable total which could be liquidated over a relatively short period through the anticipated increase in British exports without at the same time impairing Britain's ability to import enough for current necessities. The International Bank for Reconstruction and Development, the International Monetary Fund and even the United States might assist in calling such a conference and might participate in the solution of the sterling assets problem, perhaps by providing the means for converting some of the sterling balances into dollars as an inducement to Britain's creditors to make substantial reductions. A successful conference would hasten the free convertibility of sterling, and thereby assist in a revival of

¹³ The "sterling balances" are those portions of the sterling holdings of Britain's creditors which they acquired during and since the war for goods and services sold to the United Kingdom, and which they cannot now use for the purchase of exportable goods in the United Kingdom. A recent estimate of the frozen sterling balances totals approximately \$15,000,000,000.

multilateral trade not only in Europe but throughout the world. Such help might enable Britain to make meaningful concessions on the question of imperial preferences.

The Government of the United Kingdom might also undertake to call a conference of the British Dominions and the countries of the sterling bloc to prepare a program for the active participation of those nations in the work of European recovery. The United States cannot and should not be expected to assume the entire burden of the European recovery program. The British Dominions especially have given important assistance to Europe in the past and should be afforded the opportunity of increasing this aid in the future on a coordinated basis.

Britain's dependence on foreign trade is even greater than that of the rest of western Europe and consequently her stake in a general recovery is greater. The Government of the United Kingdom has shown admirable leadership at the Paris Conference of the 16 nations. But the United Kingdom Government has apparently not shown similar leadership in the discussions with the other nations of the subsequent measures of economic cooperation, especially of the proposal for a customs union. Admittedly, the United Kingdom occupies an anomalous position in the European community because of its simultaneous membership in the British Commonwealth of Nations. But there is no real inconsistency between close economic cooperation with other European countries and the continuation of Britain's intimate economic ties with the Dominions. An excessive timidity toward this problem on the part of the British Government might well dampen the enthusiasm of the other nations for European economic cooperation and create an unfavorable reaction not only in the United States but in the Dominions as well. Britain alone of the 16 nations possesses the past experience and the present economic resources and political stability necessary for bold and imaginative leadership. The success of the European effort for recovery depends in part upon the United Kingdom actively assuming the responsibilities of her position.

E. UNIFIED EUROPEAN ELECTRIC POWER SYSTEM

One of the great shortages in western Europe today is electric power. The rebuilding of industry, especially the raising of industrial efficiency to higher levels, requires considerably more electric power than some regions can produce. Other areas in western Europe have power surpluses. Some progress has already been made since the war in interconnecting national power grids and in exporting surplus power across national boundaries. Since many of the European electric power systems are already publicly owned, they might easily be combined into a unified system, with a coordinated development plan, and administered by an international agency of the 16 nations and Germany. The Paris Conference has already discussed this possibility, and in the CEEC report has pledged itself to further study of an important step in this direction, "the desirability of establishing an international high-tension network."

The advantages of a unified electric power system are many. Equipment and voltages can be standardized, thus making for more economic operation. Hydroelectric power can be freely developed for the mutual benefit of all members, and ambitious projects can be undertaken

beyond the strength of any one country. By reducing the demand for coal to generate electric power, the growth of hydroelectric capacities can ease the European coal shortages. Uniform rates will assist industries to become truly, but not ruinously, competitive.

F. UNIFIED EUROPEAN RAILWAY SYSTEM

The railways of western Europe suffered great damage during the war, but the efforts of railway workers and managers have brought about a truly remarkable recovery. With only a portion of their prewar equipment, the railways are moving as much freight and as many passengers in several of the countries as they did previously. A great deal of credit for the revival of the European transportation system is also due to the work of a postwar international organization in which the United States has been a charter member—the European Central Inland Transport Organization (ECITO). ECITO operated freight-car exchanges which made possible the movement of freight cars across national boundaries and it also assisted its member countries in Europe to obtain repair parts and new equipment. The work of this organization, now a part of the United Nations' Economic Commission for Europe, should be continued and extended. Ultimately, it can be used as the basis for unifying the railway systems of western Europe under a central, international administration.

The railways of western Europe are already publicly owned and if unified could be operated with greater efficiency. As in the case of electric power, equipment could be standardized, rates made uniform and repair facilities could be used in common. Pools of refrigerator cars, tank cars, and other special-purpose cars could be operated which would reduce the amount and cost of new equipment required and would allow each country equal access to such facilities. Electrification could proceed in accordance with a common plan so that it would not stop abruptly at national frontiers. The more efficient car interchange and utilization and the speeding up of repairs which would result from the creation of a unified European railway system would greatly assist the attainment of a higher productive efficiency for the western European economy.

G. JOINT DEVELOPMENT OF COLONIAL POSSESSIONS AND TERRITORIES

Five of the 16 nations—the United Kingdom, France, the Netherlands, Belgium and Portugal—possess colonies and territories which have important actual and potential resources.¹⁴ The rate of economic development in the colonies has always been uneven and since the beginning of the war many of these regions have retrogressed economically because of inadequate capital and supplies, lack of attention from the mother country, occupation by the enemy, and postwar unrest.

The CEEC report contains estimates of the supplies and capital equipment needed during the next 4 years by the overseas possessions of the 16 nations. These estimates have the same weakness as the rest of the CEEC report—they are unscreened totals of individual and uncoordinated programs.

¹⁴ The regions under the authority of the United Nations Trusteeship Council and the former Italian colonies should also be included.

The vast potentialities of the colonies should be mobilized behind any program of European aid. Yet the financial resources and the supplies of necessary equipment available in the mother countries are inadequate for accomplishing this task. If a common program of colonial development were prepared in which all of the 16 nations and the United States could participate, it should be possible to obtain much of the necessary capital from private sources and from the International Bank for Reconstruction and Development. Not only would such a program of colonial development benefit western Europe by increasing the flow of colonial products but, if properly administered, it would also ultimately raise the standard of living and material well-being of the colonies and thereby create new markets for European and American exports.¹⁵

H. EUROPEAN CUSTOMS UNION

Much has been said in the last 6 months about the desirability and practicability of a customs union for western Europe. The arguments in favor are too well known to need repetition here. At the Paris Conference of the 16 nations a continuing study group was established "for the purpose of examining the problems involved and the steps to be taken in the formation of a customs union or customs unions between any and all of those governments and any other governments invited to participate in the work of the study group."

This is a good beginning, but nevertheless only a beginning, and it is to be hoped that the study group will carry on its work as rapidly as possible. Creating a customs union takes a long time and requires the solution of a host of difficult problems involving practically all major aspects of a nation's economy, as the experience of the Benelux Union of Belgium, the Netherlands, and Luxemburg has shown. If the preliminary work for a European customs union is begun now, it is barely possible that the first measures for making the union operative can be put into effect 2 or 3 years hence.

It should be realized, however, that the problems which must be solved before a customs union could become fully operative are, in effect, among the basic problems of the economic recovery of Europe. Tariff rates must be made uniform in the countries to comprise the customs union. Real costs of production and distribution must be made competitive, which involves extensive adjustments in taxation, money rates, prices, wages, and freight and power rates. The currencies of the countries must become mutually exchangeable and may even have to be superseded by a common currency. Many of those things cannot be done until a greater degree of economic recovery has occurred in the countries involved. It is quite possible that, as solutions are found or developed for those difficulties, some device other than a customs union for cementing together the European economy will be found preferable. Nevertheless, at this stage of European recovery, a customs union seems the most desirable and appropriate objective, and its realization should be the goal toward which cooperative efforts are directed.

¹⁵ On the contribution of the colonial areas see also Preliminary Report No. 10 of the Select Committee on Foreign Aid ("Foreign Aid and Exhaustion of Natural Resources in Relation to a Stock-Piling Program").

Except for the first—the necessity for integrating the national recovery programs of the 16 countries and Germany—the foregoing are meant to be more in the nature of provocative suggestions than positive proposals. They are, so to speak, a provisional agenda for the next meeting of the Committee of European Economic Cooperation, a meeting which by now is overdue.

Possibly the 16 nations have followed a cautious diplomatic policy in awaiting the decision of the American Congress as to the amount, kinds and terms of American aid. Yet it is precisely the uncertainty regarding American aid which should have spurred the European nations to increased exertions of their own. If there is no American-aid program, those countries are thrown back completely on their own resources, and the already-pressing need for European economic integration becomes then imperative.

Whether a long-range American-aid program is approved by the Congress or not, the western European nations require an organization with wider powers and greater responsibilities than the Paris Conference. A new organization of the 16 nations and Germany should have responsibility for screening requirements and integrating production and investment programs and should make positive proposals to its member governments for raising the productive efficiency of the western European economy. It should work closely with the United Nations Economic Commission for Europe and with the European branches of the specialized international organizations. The new organization of the 16 nations has a difficult task to perform, but one that cannot much longer remain undone if western Europe is again to have a self-sustaining and expanding economy.

IV. THE DANGERS OF COMPLACENCY

A year ago there was little talk of a 4-year program of American aid to Europe. People on both sides of the Atlantic were on the whole gratified with the rate of recovery in Europe. Western Europe's own rapidly diminishing dollar and gold resources, supplemented by UNRRA aid in Austria and Italy and Export-Import Bank loans and surplus-property credits in other countries supplied the minimum necessary flow of dollar goods and funds. The British loan still showed a large balance.

This optimism of a year ago was deceptive. Once the sources of dollar credits and reserves began to run dry last spring, the elements of the approaching European economic crisis appeared and the structural weaknesses of the western European economy were revealed.

The illusion of stability and recovery which is engendered whenever dollars are artificially plentiful is the great danger of the proposed European recovery program. If foreign aid is authorized by the Congress, the disagreeable realities of the European situation will once again be veiled by a comforting flow of dollar credits and dollar goods. No longer faced with the imminence of collapse, alarm could easily turn to complacency, stern resolutions would be postponed and eventually forgotten, and governments would tend to shrink from the unpleasant and politically distasteful task of reversing policies of shortsighted economic nationalism. But when the artificially sustained tide of dollars again ebbs and realities begin to appear once more, it may well be too late and too costly to undertake the neglected

work of European integration and cooperation. No matter how beautifully a new coat of paint hides the structural defects of a house, it cannot make the building any stronger than its supporting members.

This danger is a warning not only to the nations of western Europe but to the United States as well. In an economic, though not in a humanitarian, sense, we will be throwing good money after bad if we merely undertake more "relief" and not a true "recovery" program. The United States cannot indefinitely sustain the economy of western Europe with grants and loans. We must, therefore, vigilantly guard against letting the proposed European recovery program become only another in an endless series of "interim aid" measures.

From the easy vantage point of hindsight, it is not difficult to see the omissions and misplaced emphasis in our foreign economic policies since the war. We have in the past few years been following a short-term policy of foreign relief and a long-term policy of trying to remove the barriers and restrictions hampering the freedom and expansion of world commerce. It would be ignoring reality to claim that either the short- or the long-term policy has met with the success which it was intended, or for that matter which it deserved, to achieve. Had these two policies really met the requirements of the situation, there would perhaps be no request now for a European recovery program of such magnitude.

This observation is not intended to belittle the efforts which the American people have made in the past few years to help the people of Europe. It is, however, a comment on the policies which have directed those efforts. Although foreign relief may be humanitarian, it is not good economics unless it removes the conditions which make foreign nations require relief. We have all along been under the impression that we had a true recovery program, i. e., the work to be done by the proposed International Trade Organization and by the International Bank for Reconstruction and Development and the International Monetary Fund. One of our major mistakes has been so to overemphasize the urgency and importance of these three institutions, especially the first, that we have paid too little attention to the content and objectives of our short-term relief measures.

Although the International Bank has already made some reconstruction loans and can be expected to make more in the future, its major function can only be fully performed when there is greater security for capital investment. The full functioning of the International Monetary Fund must await a world of more stable and interchangeable currencies. The tariff agreements negotiated recently at Geneva will be largely paper concessions for many years to come as far as Europe is concerned. The proposed International Trade Organization is an even more ephemeral institution in the light of economic conditions and needs today. The reason is, of course, that the proposed prescriptions of the International Trade Organization are in large part purely negative; they are, in effect, treatments only for the symptoms of the European sickness, not for the causes of the disease itself. Bilateralism, barter, import and export quotas, currency restrictions, and discriminatory trade practices are only surface manifestations of the fact that European countries are still too weak, disorganized and insecure to exist without economic barriers and governmental controls. Trade and monetary restrictions are themselves causes of

the present European crisis only to the extent that, having once been adopted, they help to perpetuate the structural weaknesses and maladjustments which originally compelled their adoption. The International Trade Organization has a legitimate function to perform in the future, but that future will not come unless and until western Europe is once again self-sustaining.

Until last spring, therefore, we omitted the essential link which would connect our short-term relief policy with our long-term objective of freeing world commerce, i. e., measures for integrating the European economy and for raising its productive efficiency to the point where it could sustain itself. At times, as the history of the so-called "E" organizations¹⁶ can show, we actually blocked some of the tentative steps in that direction proposed by the European nations themselves on the grounds that these suggestions conflicted with the principles or proposed functions of the International Trade Organization. The European recovery program, if approved by the Congress, should be such as to remedy the omissions and misplaced emphasis of our past foreign economic policies.

If the European recovery program is authorized by the Congress, it will face its severest tests in the old and not in the new world. The success of the program will in the last analysis be determined by what is accomplished in London, in Paris, in Rome, and wherever the seat of the continuing organization of the 16 nations may be—not just by what happens in Washington. For our own part in this work we shall require the best possible personnel to represent us in the continuing organization of the 16 nations and in the principal European capitals. The task of our representatives in Europe will be not only to assist in screening requirements for American goods under the European recovery program, but continuously to help the western European nations to undertake those measures of mutual and self-help which can knit together the disparate pieces of the European economy and raise its efficiency to higher levels.

Our representatives in Europe who are charged with these responsibilities must be people who can combine patience with initiative, and firmness with a sympathetic understanding of European problems and customs. The ponderous and complacent methods and attitudes of traditional diplomacy do not permit our overseas representatives to use the imagination, initiative and business judgment necessary for effective American cooperation with European countries in a program of western European integration. The former Lend-Lease and FEA missions abroad provide both the precedent and the proof that effective American cooperation with European countries can best be obtained through aggressive, flexible and businesslike organizations which possess sufficient freedom of action to attract outstanding personnel. The type of organization previously recommended by the Select Committee will more adequately meet this need than the Presi-

¹⁶ The "E" organizations were the European Coal Organization (ECO), the European Central Inland Transport Organization (ECITO), and the Emergency Economic Committee for Europe (EECE), the latter a consultative body for the discussion of general economic questions and of specific commodity problems not covered by the other two organizations. These bodies have recently been absorbed by the United Nations Economic Commission for Europe.

dent's proposal to utilize regular Foreign Service personnel under rigid State Department control.¹⁷

In the last analysis, all that we can do is to cooperate fully with the 16 nations in carrying out a program which in design and execution must be essentially their own. The United States has neither the right nor the authority to compel other countries to adopt economic measures which those nations may find repugnant. Yet, if we undertake the proposed European recovery program, we are in effect assuming the responsibility for the economic revival of western Europe. Responsibility without power is a situation generally avoided by cautious people. But the alternative in terms of human lives, human misery and human slavery is perhaps too frightful to permit us the luxury of being cautious. We can only hope that the nations of western Europe, who have the power over their own economic destinies, will themselves realize the responsibilities of their predicament and, by actively cooperating with each other, help themselves.

¹⁷ See Preliminary Report No. 8 of the Select Committee on Foreign Aid "Proposed Principles and Organization for Any Program of Foreign Aid."



INFLATION AND METHODS OF FINANCING
ANY FOREIGN AID PROGRAM

PRELIMINARY REPORT FIFTEEN
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



MARCH 4, 1948.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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80TH CONGRESS } 2d Session }	HOUSE OF REPRESENTATIVES }	REPORT No. 1502 }
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INFLATION AND METHODS OF FINANCING ANY FOREIGN AID PROGRAM

MARCH 4, 1948.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the Select Committee on Foreign Aid, submitted
the following

PRELIMINARY REPORT FIFTEEN

[Pursuant to H. Res. 296]

INFLATION AND METHODS OF FINANCING ANY FOREIGN AID PROGRAM

SUMMARY

1. Full utilization of existing and expanded productive capacity of western Europe, the objective of the European recovery program, will make an important contribution to alleviating world-wide inflationary pressures.

2. Exports of specific commodities in short supply will accentuate existing inflationary pressures in the United States through their cumulative and pervasive effects on the American economy, although the exports envisaged by the proposed European recovery program would, in the aggregate, be small in comparison with the country's gross national product and, if considered in the aggregate, should have only slightly more than their proportionate influence on inflation.

3. Deliveries of goods to recipient countries will tend to reduce inflationary pressures in those countries.

4. Foreign aid, unless appropriately offset by taxation and financed in such a way as to avoid an increase in the money supply, will be inflationary in that it will reduce the over-all supply of goods with relation to effective money demand. If funds are obtained from taxation or genuine savings, over-all money demand is unchanged. Even in this case, providing of aid requires funds that otherwise might be used to reduce bank-held debt and thus permit contraction of over-all money supply. If funds are obtained from borrowing from the banking system, the total money supply is actually increased.

5. Certain countries have exportable food or other surpluses in the aggregate exceeding the quantities available from the United States. Europe, not the United States, is a normal market for these surpluses. These countries, within the limits of their abilities, should be encouraged through every proper device available to our total bargaining position to participate in the financing of foreign aid by making their surpluses of foods available against grants, loans, or sales against soft currencies. Private credit sources and the Export-Import Bank can extend commercial credits to these countries to ease their dollar shortages.

6. Recipient countries should undertake and carry through fiscal and monetary reforms to achieve truly balanced budgets, to reduce excessive capital expenditures, to adjust currency values to realistic levels which will encourage flow and production of goods at home and stimulate exports abroad, and to contract redundant monetary supplies.

7. International lending institutions such as the International Monetary Fund, International Bank, and Export-Import Bank can make an important contribution in financing foreign aid.

8. Recipient countries possess substantial dollar and gold assets, especially those concealed abroad or at home by private citizens, which

in part might be activated through collateral loans and thus reduce the burden on the American taxpayer of the aid program. Excess gold reserves of Switzerland could also provide an important basis for gold-stabilization loans.

9. Control of inflation is a pressing world-wide problem of paramount importance. The recommendations of the select committee have been formulated specifically to contribute maximum support to fiscal reform and currency stabilization. Deliveries of local currencies by recipient countries as a consideration for deliveries of food, fuel, and fertilizers will help to control inflation and will constitute an essential source of the new savings that will be needed to finance the projected industrialization programs of the 16 nations. These local currencies should be made directly available for productive internal investment within the 16 nations in ways carefully designed to minimize the over-all inflationary effects. To require them to be used mainly for debt retirement, as has been proposed by the administration, will throw a disproportionate share of the burden of financing internal industrial development in western Europe on the national budgets of recipient countries and will thus jeopardize their efforts to control inflation.

INFLATION AND METHODS OF FINANCING ANY FOREIGN-AID PROGRAM

There is no simple one-way relation between the foreign-aid program and the world-wide problem of inflation. Whether the effect of the program will be to alleviate or to accentuate current inflationary pressures will depend, first, on whether it succeeds in accomplishing its objectives, and second, on the means by which it is financed and on the manner in which it is administered.

WHAT INFLATION MEANS

The outstanding characteristic of an inflationary situation is an excessive demand for goods, i. e., demand that is backed by effective financial resources, in relation to available supplies. This characteristic is prevalent throughout a large part of the world today. It is a direct heritage of the war. In every country where it exists it has its internal aspects—i. e., a deficiency of available goods in relation to effective internal money demand. In most countries, in fact in all countries which are not relatively self-sufficient, it also has international aspects. These seldom lend themselves to a simple analysis. Imports of goods into a country may have inflationary or deflationary impacts depending on the manner in which they are financed and the extent to which they are counterbalanced by outflows of goods to other countries. Frequently they may have both, since the eventual consequences of a movement of goods may be opposite to its immediate effects.

No development could contribute more to alleviate world-wide inflationary pressures than the achievement of the objectives of the foreign-aid program. It is the purpose of the program to provide such temporary help as may be needed to restore the economic production of war-devastated countries, particularly of the countries of western

Europe. If it is successful, it will relieve immediately those aspects of the inflationary problem which reflect inadequate production. Greatly increased production of food, coal and steel in Europe, once the whole world's workshop, would go far to remove the most acute shortages that are pushing up price levels all over the world. It would permit also a more effective attack on the financial causes of inflationary pressures.

GOODS AND MONEY AS FACTORS IN INFLATION

The problem of inflation usually has two aspects. It requires analysis both from the point of view of goods and also from that of effective money demand. In the first months of reconversion in the United States, it was generally recognized that to control inflation over-riding consideration would have to be given to measures which would increase production, particularly the production of commodities for immediate consumption. This did not imply a neglect of the financial aspects of inflation, but rather a realization that measures of financial reform taken by themselves would not accomplish their objective if the production of necessities remained deficient. When, as in this country, such an increase in output of commodities for consumption required first the reconversion of plant and equipment, measures to effect reconversion were given highest priority. When, as in war-devastated Europe, production was below the minimum subsistence needs of the population, relief and assistance from outside as well as reconstruction and reconversion within were required.

In war-devastated Europe acute deficiencies in the output of food, coal, steel, clothing, and other articles for immediate consumption are still widespread. These are real deficiencies arising out of inadequate home production. Anything which contributes to increased production in western Europe, particularly to the output of goods for immediate consumption or of goods and services that can be exchanged abroad for consumption goods, will contribute correspondingly to the alleviation of inflationary pressures not only in Europe but also in the United States and other countries of the Western Hemisphere. If fertilizers and agricultural machinery delivered to Europe under the foreign-aid program raise Europe's food output more than their use here would increase our own, inflationary pressures on the American cost of living will be reduced. If American deliveries of coal, raw materials, and factory equipment permit the full operation of Europe's industrial plant, the current excessive demand for industrial exports from this country will be lessened.

INFLATIONARY IMPACT OF FOREIGN-AID DELIVERIES ON THE VOLUME OF AMERICAN SUPPLIES

Although the causes of our inflation are mainly internal, deliveries of goods abroad under the foreign-aid program inevitably will add somewhat to existing domestic inflationary pressures in this country. Until its economy is again self-supporting, the survival of western Europe on an independent basis will require large net imports of foodstuffs, raw materials, and manufactured goods. The need for

these deliveries falls on this country at a time when it is going through a period of strong internal inflationary pressures. In these circumstances any foreign demand for our products in excess of our imports is necessarily inflationary in its immediate impact. Net merchandise exports have risen to approximately \$9,000,000,000 in 1947, and this has been a factor that has accentuated domestic inflationary forces. Increasing this demand or even sustaining it at the 1947 level will thus constitute support for an inflationary factor.

In the aggregate our gross national product in 1947 was \$232,000,000,000 and our net merchandise exports of approximately \$9,000,000,000 constituted 4 percent of the gross product. These are total net exports to all countries. This percentage is probably larger than the total amount that would be involved in the proposed European recovery program plus our probable regular commercial net exports during 1948. In any event, a certain quantity of goods will be exported even though no program of foreign aid be undertaken. Not all of the 16 countries are candidates for foreign aid. Some have aggregate resources that are not inconsiderable. They would continue to make every effort and utilize every resource to obtain vital supplies from this country.

When the problem is considered from this point of view, that is, in its aggregate impact, without consideration of possible stringencies in the specific types of commodities that are to be exported, it is apparent that the over-all amounts involved in the foreign-aid program in and of themselves do not impinge critically on our ability to supply, especially as compared with total exports in 1947. If the program did not impinge with particular weight on a limited number of commodities in very short supply, its inflationary impact would not be severe. Any net export of goods is, of course, a subtraction from the amount that might otherwise be available, and to this extent diminishes the amount of goods in the home market. The extent of this subtraction, as an aggregate, however, is not of sufficient size to indicate a critical situation, particularly when it is remembered that our total net exports in 1948, with a foreign-aid program, will not vary greatly from the amounts exported in 1947, and that in 1947 the volume of goods remaining available for consumption within the United States after exports exceeded all previous levels. From an aggregate point of view, therefore, it is apparent that the prevalence of broad inflationary pressures in the American market is primarily internal in origin. The quantities of goods that have been exported under the various programs of foreign aid that have been adopted have accounted for some of those pressures but not in major degree.

EXPORT DEMANDS FOR SPECIFIC CRITICAL COMMODITIES HAVE CUMULATIVE EFFECT

So much for the aggregate. The problem presents real practical difficulties when specific commodities in short supply are considered. The foreign-aid program involves deliveries of specific commodities, not of averages of our production, and some of these specific commodities, particularly coal, petroleum, food grains, fertilizers, steel, and transportation and mining equipment, are in critically short supply. In some of these commodities the amounts involved, that is, the

difference between probable exports with and without the proposed program of foreign aid, have been and will continue to be sufficient to constitute an important factor in our domestic price structure. Unless special measures are taken to minimize that pressure, as for example through development and purchases outside the United States, through the programing and coordination of foreign purchases within the United States, through the encouragement of the use of substitutes and the elimination of waste, and through the postponement of deferable domestic consumption, the effect of these price repercussions as they impinge on a domestic economy already characterized by strong inflationary pressures, may be serious. The marginal effect of demand comes into play to create cumulative price rises.

The complicated nature of the type of problem involved can be illustrated by the example of coal. European coal production is low, in part as a result of war destruction, but in part, also, as a result of reconversion and rehabilitation difficulties. Workers are underfed, equipment is worn out, and maintenance supplies are deficient. Without adequate coal to operate its industries, European industrial output will remain low and those deficiencies will tend to be perpetuated. With adequate coal European production can be stimulated, including not only commodities for general consumption but the production of the specific commodities needed to restore European coal production. This circle of interlocking deficiencies is such that without a continuation of outside aid, production will deteriorate, supply deficiencies within Europe will increase, and world inflationary tendencies will be accentuated.

The outside aid that is required, however, takes the form of goods in critically short supply—foodstuffs, coal, mining supplies and equipment, etc. The current very high level of American industrial production is based to no small extent on the availability of coal within the United States to sustain high rates of operation, on the availability of transport, particularly open-top cars, within the United States to distribute the coal, and on the availability of mining equipment and supplies, both to expand mining capacity and to maintain existing capacity. These items, consequently, which are now all in short supply, are essential not only to restore Europe's production but also to maintain our ability to aid in that restoration. Under the impact of the shortage, coal has risen drastically in price and this increase has affected the costs of industrial operations throughout the economy.

Price increases of this type, i. e., increases due to specific bottleneck shortages of particular commodities, differ in their effect from broad increases in the general level of prices due to an excess money demand. In the first instance they change the structure of costs and prices, and thus affect the supply and demand situation for the particular commodity. The higher price may increase the supply by stimulating production from existing facilities or by making it possible to bring into operation higher cost production facilities. It may also restrict demand for the particular commodity by stimulating buyer resistance. Some consumers for whom it is not essential may decide to go without it, others may postpone consumption or seek sufficiently satisfactory substitutes. All will be encouraged to eliminate waste. Those that buy at the higher price will have less to spend on other commodities,

and these lower outlays will tend to take pressure off the prices of other commodities.

All of these effects are constructive and noninflationary. They work in the direction of allocating scarce supplies to their most essential uses, as well as those best able to pay higher prices. This type of response to a rise in the price of a particular commodity in short supply has made itself apparent in innumerable cases within the American economy in recent years. Production has expanded sharply in the case of most articles in short supply. Substitutions have been encouraged, as, for example, in the case of aluminum for other metal products.

The impact of price increases for particular commodities in short supply is not limited, however, to such constructive self-compensating tendencies. Price increases, particularly while they are in progress, will also magnify shortages to the extent that they stimulate hoarding of the scarce articles, or anticipatory stocking for inventory appreciation purposes on the part of processors and dealers. Of more importance in the current situation, they may act as a catalyst in a situation where the money supply is excessive. The progressive spiral of inflation by which higher prices or wages lead in turn to higher costs (or vice versa) is too familiar from recent experience to require detailed exposition here. The increased hardship on recipients of low and fixed incomes is also obviously serious.

It is from this aspect that the foreign-aid program requires meticulous analysis and special precautions to minimize its inflationary implications on the American economy. Those implications do not arise out of the aggregate size of the export surplus, which is clearly within the capacity of the American economy, but out of the export of specific commodities in critically short supply from an economy in which a considerable part of the inflationary potential created by the war is still present.

These specific inflationary impacts of the foreign-aid program, that is, the impact of exports of commodities in critically short supply, can be mitigated or neutralized to a considerable extent by administrative programing procedures such as were developed during the war. It would be the purpose of such measures to maximize available supplies, to insure that the supplies produced were made available in fact for the most essential uses, and that other uses were deferred if acceptable substitutes were not available.

Although our war experience will be of great aid in devising and executing such programs for specific commodities, the general economic problem which is posed to this country is not at all analogous to that presented by the war. Then, because the war was a total war, the estimated needs of the fighting services superimposed on essential domestic needs tended to exceed the capacity of the economy to produce. Given this basic problem, administrative measures such as the above could not be restricted to a few commodities in critically short supply. All resources were potentially short and war controls inevitably spread over an ever-widening area as the war progressed and mobilization for war became increasingly widespread. The effect of such controls, furthermore, as it was related to prices was confined in the main to minimizing the actual current price inflation. Inflationary potential in the form of the gradual accumulation of excessive liquid assets continued to mount. In fact, the success of those controls

depended in no small measure on the fact that the public was willing to accumulate excessive liquid assets. In other words, current inflation was held in check in considerable part by accumulating an inflationary potential that was bound to present future problems.

CURRENT PROBLEM OF SHORTAGES DOES NOT REQUIRE WARTIME CONTROLS

The current economic problem is entirely different. The American economy has given ample demonstration during the past year that it has the capacity in the aggregate to provide simultaneously (1) for a very high level of internal civilian consumption, (2) for a very high rate of internal investment and, consequently, for an even higher level of future potential consumption, and (3) for the essential exports required abroad for rehabilitation and reconstruction. Under these circumstances, there is no reason to expect that the adoption of administrative measures to program the use of particular commodities in critically short supply would inevitably create a situation which would require spreading such controls over wide sectors of the economy, nor should such controls, if they are adopted, be permitted to do so. We are not now in a situation where the total of the essential demands on our economy is in excess of our aggregate capacity. We are, rather, in a mixed situation in which, on the one hand, general inflationary pressures, built up during the war in large part as a direct result of the controls then necessary, are to a certain extent still expressing themselves in a general spiralling rise in costs and prices of all kinds; and in which, on the other hand, the specific requirements (1) of domestic reconstruction, (2) of high level domestic activity, and (3) of foreign reconstruction have resulted in critical supply shortages in the case of a few key commodities. The inflationary impacts of these critical shortages can be minimized by wise measures designed to program their use without thereby further accentuating the inflationary potential. Such measures need not be extended over wide areas of the economy; in fact, if they were to be broadly extended, their success would be likely to be purchased at the expense of a further increase in the inflationary spending potential. To deal with a broad inflationary situation in a free enterprise economy, it is imperative also to take certain fiscal and monetary steps. Budgets should be balanced, public debt retired, and excessive private consumption or private overinvestment checked by credit restraints.

INFLATION IN RELATION TO FEDERAL FINANCING OF FOREIGN AID

In markets as active as those in the United States at the present time, any outlay of funds for the purchase of commodities or for other expenditures will add to the existing excess of internal buying power unless it is offset by a withdrawal of potentially active funds in equivalent volume. Purchases by the Federal Government under the foreign-aid program consequently will have inflationary effects on the supply of purchasing power unless they are offset. Purchases by foreign governments out of their own financial resources, as for example through the delivery of gold to this country or through checks drawn upon hitherto idle deposit balances, will also have inflationary effects. It is important to bear this consideration in mind in planning

the financing of the foreign-aid program. Arrangements which have the effect of lifting some of the burden of providing foreign aid off the Federal budget—for example through the mobilization of existing financial assets under foreign ownership, or through recourse to the International Monetary Fund—might have inflationary effects upon the American economy fully equal to those that would result if the whole program were financed by the Treasury without offsetting tax revenues in adequate volume. If such arrangements resulted in an inflow of gold in large volume, the internal inflationary effects might actually be larger. This observation applies solely to the inflationary aspects of such possible arrangements. The budgetary aspects would, of course, be different.

METHOD OF GOVERNMENT FINANCING OF AID IMPORTANT

Foreign aid extended by the Government under any method of financing is inflationary in the sense that all expenditures are inflationary, in one degree or another. If the expenditures are covered by additional taxation or by a decision to forego an equivalent tax reduction, the inflationary effect of the expenditures is offset by the deflationary effect of the equivalent tax receipts. Such expenditures may also be offset, in theory, by an increase in genuine savings or by the diversion of new savings from investment in other enterprises to investment in Government bonds that are not monetized. In the present inflationary situation where savings are inadequate to meet present capital investment demands, such considerations have little practical import except in the case of measures to restrict internal investment.

Under existing conditions, therefore, unless they are offset by taxation, dollars spent by the Treasury to acquire commodities remain in the hands of the public while the commodities go out. There are thus fewer goods left in the internal market to satisfy the demands of an undiminished supply of dollars. If purchases of commodities are made outside of the country, dollars are made available to foreigners which they are only too anxious to use to purchase in our markets under present conditions of dollar scarcity. Unless these funds are raised by taxation or out of genuine savings, the inflationary impact on the domestic economy remains.

Viewed from another angle, however, foreign aid financed from excess tax revenues of the Federal Government may not be directly inflationary on money supply but it may mean that the Government cannot retire an equivalent amount of Federal debt that otherwise would have been retired. In this case the effect would be inflationary as compared with a situation in which no foreign aid was extended. Financing the war brought about a tremendous increase in bank-held Government debt. This was inflationary. It represented a direct increase in the monetary supply of the country—more dollars to seek a given supply of goods. Shrinking the amount of bank-held debt is the reverse process. It reduces the supply of the money potential relative to goods. It relieves inflationary pressure; it is deflationary. To the extent that foreign aid is granted, unless it is financed by new taxation, or contemplated tax reductions are deferred, reduction of bank-held debt by the Government will be correspondingly postponed with the result that the inflationary potential of an undiminished supply of money will remain.

If foreign aid should require deficit financing by the Government, the inflationary effect would be increased. To the extent the debt would be sold to banks, it would represent a direct addition to the monetary supply of the country of more dollars for an unchanged supply of goods. If the banks should monetize this debt at the Federal Reserve banks, either directly or through a substitution process, the potentially inflationary effect would be multiplied. Because our banks operate on a fractional reserve system, monetization of the debt permits an estimated sixfold increase in monetary supply.

Since it is apparent from the foregoing that the manner of financing the foreign-aid program will have an important bearing on its inflationary effects, the question is raised regarding possible differences in the inflationary and budgetary impact between financing foreign aid through an agency of Government supplied with funds by direct appropriation by the Congress, and financing foreign aid through a Government corporation empowered by Congress to obtain its funds directly through a public debt transaction, that is, borrowing directly from the Treasury. The question is examined in the following paragraphs:

A. Inflationary aspects

The inflationary aspect of foreign aid may be twofold: (a) the direct impact of purchases on prices of individual commodities and (b) the impact of the financing on over-all monetary supply.

With respect to (a) there would be no difference in the direct impact of purchases on prices, whether funds were provided by a direct appropriation by the Congress to a Government agency or through a public debt transaction authorized by the Congress for a Government corporation.

With respect to (b) there would be no difference in the impact of the financing on over-all monetary supply as between a direct appropriation to a Government agency or a public debt transaction authorized by the Congress for a Government corporation. However, by either method, if it is necessary to sell Government securities to the public to raise funds for the aid program, there might be a great difference in the inflationary effect depending on whether the securities were sold to the banking system, or to nonbank purchasers in return for genuine savings. If the securities were sold to the banking system, bank requirements for reserves would be increased but a more than equivalent addition would be made to the country's monetary supply. If the securities were sold to nonbanking purchasers, the effect would be to absorb an equivalent amount of savings and to transfer this purchasing power from nonbank sources to the foreign aid organization.

In a program of the probable size of the one now contemplated, it is likely that, in the absence of adequate tax revenue, recourse would have to be had to sales of securities to banking as well as nonbanking sources in order to insure success of the financing. Sales to the banking system would tend to add to the existing monetary supply and would thus be inflationary. It should also be pointed out that even though special efforts are made to raise funds through sales to nonbanking sources, as for example by the issue of a security not eligible for bank holding, the effect might still be inflationary. Through substitution of holdings by nonbank investors (that is, sale by nonbank investors of present holdings of Governments eligible for bank pur-

chase in order to obtain funds to purchase the new nonbank securities) it is entirely possible that eligible Government securities thus made available to banks would swell the total supply of eligible Government securities that could be monetized by the banking system. Monetization of this debt by the banking system could, because of the fractional reserve system, provide an inflationary potential in the monetary supply, estimated as six times the amount of the debt.

B. Federal budgetary aspects

The Federal budget is conducted on a cash income, cash outgo, basis. All cash outgo is treated as an expense even though parts of it such as expenditures for permanent river and harbor improvements might in fact be in the nature of capital expenditures.

Anticipated expenditures for a foreign-aid program and actual expenditures under such a program would, to the extent that funds were raised by the sale of Government securities, be included in the Federal budget quite irrespective of whether or not the financing was handled by a direct appropriation to an agency or as a public debt transaction for the account of a Government corporation and would therefore have identical effects on the budget. However, a Government corporation might be authorized to raise its funds through direct sale in the market of its own obligations guaranteed by the Government instead of through a public debt transaction. In that case, the amount of expenditures from these funds would not appear in the Federal budget in the year when such expenditures were made. Books of the Government would, of course, immediately reflect the contingent liability of the Government on these securities, but unless and until it was necessary for the Government to make good on all or a part of the guaranty, the item would not appear in the Federal budget. For instance, if the Government corporation sold \$2,000,000,000 of its own, Government-guaranteed obligations due in 5 years; spent the money this year; and found at the end of 5 years that the obligation could not be redeemed without recourse to the Government guarantee; then 5 years hence there would be an item in the Federal budget reflecting the cash outgo of the Government in making good this guarantee. In other words, a Government corporation with power to issue its own securities, guaranteed by the Government, could postpone the impact on the Federal budget of its spending operations to a year different from the one in which the funds were raised.

It may be noted that the practice of sale by Government corporations of their own Government-guaranteed obligations directly to the public is likely to complicate the management of the public debt. The practice was discontinued in the early days of the war.

INFLATION IN RELATION TO THE EXTERNAL FINANCING OF AMERICAN EXPORTS

The total volume of American exports is much larger than our net export surplus, i. e., the excess of exports over imports, and the latter in turn is considerably larger than the exports which the President has proposed to finance under his program of foreign aid. It is important, consequently, to examine the methods used to finance these other exports, i. e., exports other than those that may be made available by the Federal Government under a foreign-aid program.

It was indicated earlier that such financing might exert an inflationary impact on the American economy.

A foreign purchaser of commodities in the American market must have dollars to pay for them. He may, typically, secure these dollars (1) through sales of commodities in the American market, (2) through borrowing in this country (either on his general credit standing or through the pledging of acceptable securities or other assets), (3) through the expenditure of dollar funds that he already has, e. g., on deposit in our banks, or (4) through the delivery of gold to this country. There are other means by which funds may be secured, as for example, by the sale of services or by gifts from individuals, but most of these additional means will be found to correspond, directly or indirectly, to one at least of these four main methods by which American exports are financed. Exports financed out of the proceeds of the sale of imports to this country, generally speaking will exert no inflationary effect, while exports financed through the sale of gold to this country will have a maximum inflationary impact. In the former case, commodities have been delivered to this country in exchange for those taken out and the volume of funds in our markets is undiminished. In the latter case, not only is the volume of commodities available for domestic consumption reduced, but the incoming gold is subsequently used as a base for further credit expansion and the volume of additional funds thus made available may be multiplied severalfold.

The second and third methods of financing exports are intermediate in their inflationary effects. Dollars raised by a foreign purchaser through a borrowing operation in the American market will be inflationary if they are made available through an increase in the total volume of bank credit, or if they activate funds that otherwise would have been idle. Likewise, the expenditure by foreign holders of dollars already on deposit to their accounts in our banks has an inflationary aspect in our markets when they are spent, since an idle banking account is thereby changed to an active account.

These sources of inflationary impact have been active during the past year. Only a part of our large export deliveries has been paid for by imports or by Federal outlay covered by tax revenues. A substantial part has been financed by the foreign purchasers out of their own mobile financial resources. These resources are now greatly diminished and accordingly, this source of inflationary pressure may be less important in the immediate future, particularly since a large part of the remaining foreign assets represent final reserves or are concealed in private banks or otherwise currently unavailable because of the crisis. If the objectives of the foreign-aid program should be achieved and the economy of western Europe restored, the continued functioning of that economy would be aided by the reactivation of some of these hidden or immobilized funds. Their variety and extent are indicated in appendix A of this report.

PARTICIPATION OF OTHER SURPLUS COUNTRIES IN FOREIGN-AID PROGRAM

There are several countries other than the United States which have a direct interest in the reconstruction of the economy of western Europe. These countries have, for example, exportable supplies of food and fuel which in the aggregate exceed the quantities available from

the United States. Normally, western Europe is the major market for supplies from such surplus food areas as Canada, Australia, Argentina, Brazil, Uruguay, and New Zealand. That these countries have a very real self-interest in assisting the rebuilding of the European economy is shown by the assistance they have already been providing, through loans, credits, and deliveries of exports for blocked or local currencies. The foreign-aid program of the United States should be so planned and administered as to encourage continued participation of these other supplying countries in assisting European recovery.

Canada has already pointed the way to such participation. Canada normally buys more in the United States than it sells here. Canada normally sells more in the United Kingdom than it buys there. Normally, Canada converted its surplus pounds sterling from trade with the United Kingdom into United States dollars and thereby acquired United States dollars to settle its adverse trade balance with the United States. Although this normal manner of balancing Canadian-United States trade became inoperative after the outbreak of the war, when sterling was no longer freely convertible into United States dollars, Canada stretched her resources to help reconstruction in the United Kingdom by extending a relatively large credit to Britain at the same time that the United States loan to Britain was negotiated. Subsequent events may show that the credit is too large for the Canadian economy to carry, if it is used up too quickly. An acute dollar shortage has now developed in Canada which has led the Canadian Government: (1) to request the United Kingdom to reduce the rate of its drafts on the Canadian credit; (2) to impose drastic restrictions on American exports into Canada; and (3) to borrow dollars in this country. Some proposals are being made to shift over to the United States a part of Canada's financing of exports to the United Kingdom in order to get dollars.

On November 17 the Export-Import Bank announced a \$300,000,000 5-year credit for Canada. It is possible that Canada will also enter the private-capital market in the United States for a substantial loan. These operations help to offset or postpone the Canadian shortage of United States dollars and permit Canada, in effect, to continue to finance foreign aid to the United Kingdom.

POSSIBILITIES OF COMMODITY AID FROM OTHER COUNTRIES' EXPORTS

In approaching other countries to assist in the program, the United States should be fully aware of the help that has been and is being supplied by these countries. It should not suggest assistance in excess of the economic capacity of those countries, nor assistance in such forms as would weaken or endanger the soundness of their economic structures. On the positive side it should stress the importance of reconstruction and recovery in western Europe, the necessity of minimizing inflationary pressures everywhere, and the overwhelming importance either of increasing the production of commodities in perilously short supply or of achieving some curtailment of their aggregate demand. It should use its bargaining position, as a whole, to secure adequate cooperation in aid to Europe from other exporting countries.

Examination of prospective sources of export availabilities of foods for the European-aid program shows that seven countries taken to-

gether will have comparable or larger export availabilities of food than the United States. A summary of the principal commodities follows:

Cereals.—Canada, Australia, and Argentina in the 1947–48 season will have estimated export availabilities of 13,100,000 metric tons compared with 13,500,000 metric tons from the United States.

Fats and oils.—Argentina, Brazil, New Zealand, and Uruguay, for 1947, will have net export availabilities of 523,500 metric tons by oil content while the United States on balance will be a slight net importer.

Meats.—Argentina, Australia, Canada, Brazil, New Zealand, and Uruguay will have estimated meat export availabilities of 2,015,000 short tons in 1948 compared with only 50,000 tons from the United States.

Sugar.—Cuba is the major source of sugar exports with an estimated total of 5,747,000 short tons for 1947. Australia would add another 181,000 tons. The United States is a net importer of sugar, and this year will import about 46 percent of requirements from Cuba.

Other foods and other sources.—A recent report of the International Emergency Food Council also details prospective export availabilities for cocoa beans of 644,450 metric tons in the season 1947–48; export availabilities of 2,714,000 metric tons of rice in the season 1947–48; and export availabilities of 389,000 metric tons of pulses (beans, peas, lentils, etc.) in the period July–December 1947.

None of the cocoa-bean availabilities would come from the United States. An estimated 12.9 percent of rice export availabilities would come from the United States, and an estimated 31.2 percent of pulses would come from the United States.

Brazil could contribute an estimated 125,000 tons to cocoa-bean exports and 200,000 tons to rice exports. Australia could contribute 14,000 tons to rice exports and 1,500 tons to exports of pulses. Argentina could contribute 12,000 tons to exports of pulses.

While many countries will have prospective net export availabilities of fats and oils, rice and pulses, yet it is perfectly clear that in the case of the major foods, cereals, meats and sugar, the bulk of supply requirements will come from the seven countries listed above and from the United States.

It would require a much more detailed examination of the trade and financial positions of these seven countries than is now available to ascertain the extent to which they may reasonably be expected to contribute to the financing of food supplies to the deficit countries of western Europe. Since western Europe is the normal long-term market for such surpluses, however, it can be assumed that these exporting countries are vitally interested in seeing the 16 countries of the Paris Conference restored to economic health, and should carry a fair share of credits for exports to western Europe.

Most of the countries noted above are specialized producers of foodstuffs and depend on the proceeds of their exports of those commodities for the funds to purchase their necessary minimum imports. Their ability to contribute to the financing of the foreign-aid program, consequently, is not measured by their ability to furnish supplies. Most of these countries, however, are in a position to give some help and some have indicated that they are prepared to do so. Many of them, in fact, as was noted earlier, have already advanced credits or accepted soft currencies in payment for exports. To the extent that they do participate in the program, it may be that the Export-

Import Bank, if it had sufficient increased lending power, could undertake commitments to assure them help in meeting unforeseen dollar shortages that they might suffer while extending aid to Europe. As the dollar shortage is now world-wide, the extent to which other nations participate in financing the foreign-aid program will have a direct relation to their demand for our exports; i. e., the greater their participation, the smaller their purchases in our markets.

MEANING OF THE WORLD DOLLAR SHORTAGE

Basically the world shortage of dollars reflects the surplus in the American balance of payments and the shortage of available production for export outside the United States. More payments are currently due the Government and people of the United States in dollars than the Government and people owe abroad. In view of this surplus in the balance of payments of the United States, it follows that there is an equivalent aggregate dollar deficit in the balance of payments of the other countries of the world. So long as the countries with deficits have gold, or previously acquired dollar balances, they can temporarily use these assets to make up the deficit. The deficit can also be met temporarily out of the proceeds of grants or new loans from the United States. The basic shortage of dollars will not disappear, however, until the balance of payments of the United States is in equilibrium, i. e., until the value of its imports and of other dollar-supplying transactions is equal to the value of its exports plus other dollar-absorbing transactions.

In the absence of the gold standard, the dollar has come to be used more and more as the medium in which international transactions are conducted, particularly since other international currencies, such as sterling, have lost convertibility. This fact does increase somewhat the demand for dollars for working balances, and thus tends to increase somewhat credit demands on the United States. It does not increase the demand for dollars by an amount equivalent to the increase in transactions conducted in dollars, for the reason that a foreign country that sells its exports for dollars is thereby enabled to pay dollars for its imports.

It may be that the present shortage of dollars is also accentuated slightly because so many international transactions are today conducted in soft or inconvertible currencies. Italy, for example, was caught with inconvertible sterling by the suspension of convertibility of the pound in August 1947. If those funds had been convertible, the British dollar shortage would have been more acute but the Italian shortage would have been less. Over-all, the value of the resources represented by minimum-need balances of international currencies would probably have been less.

It would not be wise to seek to alleviate the dollar shortage by minimizing the use of the dollar as the medium of exchange in international trade. To do so, in fact, would operate against the type of international environment our Government persistently has sought to promote. The United States has consistently advocated the re-creation of a world environment characterized by convertibility of currencies and by multilateral trade. It has consistently deprecated nonconvertibility of currencies and bilateral trading arrangements. Both of these objectives are written into the reports of the Select Committee

on Foreign Aid. The increased use of the dollar as the medium for international transactions is not equivalent to the achievement of interconvertibility of currencies but it has some of the same effects insofar as it discourages bilateral trading and makes multilateral trade possible. In the long run, the dollar can become the most acceptable medium for foreign trade only if foreign countries are given the opportunity of earning dollars to the same extent as, for example, they could earn pounds sterling before the war at a time when the pound was convertible.

It is important to go into detail on this point because it has direct bearing on the type of assistance this country may properly expect from other countries in helping to finance the program of foreign aid. Such assistance will not be measured by the international currency for which other countries sell their surpluses, but by (1) the extent to which they increase production, make their surpluses available, and sell them at reasonable prices; (2) the extent to which, by internal taxation or otherwise, they reduce their own consumption of commodities in short supply or of imported commodities which increase directly or indirectly the pressure for dollars; and (3) by the extent to which they participate in financing the foreign-aid program on the same basis as this country, that is, the extent to which they accept local currencies as full consideration for certain of their exports, and the extent to which they finance the remainder by loans.

INFLATIONARY PROBLEMS OF RECIPIENT COUNTRIES

Inflationary pressures are almost universally present today. They contribute importantly to our difficulties even within the United States where the mechanism of production is functioning with extraordinary efficiency and where the volume of output far exceeds previous peacetime records. These pressures are related directly to the magnitude of the deficit in the balance of payments of western Europe, and consequently to the cost of all programs of foreign aid.

In this country they increase the prices of the foods, fuels, fertilizers, raw materials, equipment and other supplies which Europe must have to survive. In western Europe they operate powerfully to impede the reconstruction of the economy. They tend to divert resources away from the export industries. They stimulate black markets. They prevent the industrialist, in planning his operations, from knowing with any certainty either his costs or his selling prices. They create strong incentives to conceal assets, particularly foreign assets, and to evade exchange regulations. They reduce the food supply, since the farmer, without sufficient consumer goods in the markets on which to spend his money, hesitates to sell his crops for a currency that will depreciate. He prefers to produce less or to feed his surplus to livestock as a better method of storing value, that is, of maintaining his capital. They reduce both the production and the productivity of the worker.

In countries, such as Britain, where rigid rationing controls are effective in limiting the price aspects of inflation, labor usually receives an income in excess of its capacity to buy goods, and loses part of the incentive to produce since it cannot spend its excess income on commodities it desires. In these cases the worker is all too frequently inclined to take an occasional afternoon off in order to go to the races.

The worker in countries where controls are ineffective and black markets prevail, suffers an insufficiency of money income in relation to his needs and is forced to spend part of his time away from the factory or shop foraging in the black market or out in the countryside for food and other essentials. As prices rise under these mutually reinforcing inflationary tendencies, controlled rates of exchange become unrealistic and more and more overvalued, with the result that exports fall off, particularly exports to hard currency countries.

The urgent necessity of controlling inflation is thoroughly recognized by the countries of western Europe. In the report of the Committee of European Economic Cooperation, fiscal and monetary reform was given a priority equal to that of increased production and the 16 nations participating in the conference gave mutual pledges to carry out necessary programs of financial stabilization with the utmost determination. The actual effectuation of such programs, however, will not be easy. In fact, they will be extremely difficult and possibly abortive, if they are undertaken at a time when essential industries are shut down in whole or in part because of fuel shortages or lack of raw materials. If they are to have real prospects of success they should be undertaken at a time when industrial operations are active and expanding. They are a proper component, therefore, of a program of foreign aid designed to maintain and expand industrial production within Western Europe. If such aid is forthcoming, however, it cannot be expected to accomplish its purpose unless it is accompanied by determined programs of fiscal and monetary reform in countries where inflationary pressures are out of hand.

DEFLATIONARY EFFECTS OF FOREIGN AID ABROAD

Foreign aid, taken by itself, is deflationary rather than inflationary in its impact on the recipient countries. Within the markets of such countries there are available not only the products of internal production but in addition supplies received from abroad. There is more available to meet the market demand, consequently, than is being currently produced. When the foreign supplies are distributed free or for nominal values as in the case of goods made available through relief distribution centers, the goods involved help to meet minimum local needs and thus relieve inflationary pressures on local supplies. When the foreign supplies are sold for local currencies, these sales serve in addition to absorb excess internal purchasing power. The fact that acute inflationary pressures continue to prevail in countries that have been major beneficiaries of foreign-aid deliveries reflects the magnitude of the pressures that exist and the task which these countries face if they are to be successful in their efforts to bring inflation under control. Without the receipt of vital supplies from abroad for distribution or for sale in local markets their problems of internal inflation would have been even more acute.

A variety of forceful measures will be needed to bring the European inflationary situations under control. In some countries, the persistence of inflationary pressures has primarily a fiscal origin; in others, it mainly reflects a redundant currency base or the overexpansion of credit by the banks. In still other countries the inflationary pressure results in large part from a misdirection of productive activity, particularly in the form of overinvestment. In many cases the dominant

sources of inflationary pressures are so mixed that success in the attack on inflation will require effective action designed to deal with several or even all of these varied types of inflation.

Wherever budgets are unbalanced they are likely to contribute strongly to inflation under present conditions. When unemployment exists in combination with idle resources on which the unemployed manpower is used under a public-works program, for example, lack of balance in the budget will not necessarily build up inflationary pressures, particularly if the deficit is covered by tapping genuine savings. Under these circumstances the deficit may well result in an increase in production and thus contribute to a higher total output. Shortages of manpower, however, are widely prevalent throughout Western Europe today, except in Italy, where productive equipment on which to use manpower is lacking. Under these conditions the existence of deficit financing in the national budget can only feed the inflationary pressure. More is being spent by the Government than is being absorbed through taxation or other sources of revenue and the difference is financed directly or through the banking system by creation of additional money or liquid assets.

In countries running budgetary deficits, the attack on inflation will require a genuine balance of the budget, either through a reduction in expenditures or an increase in revenues or both. The elimination of a budget deficit is rarely easy or politically palatable. In some cases it will be extraordinarily difficult, in part because the need for reconstruction of needed facilities will be a primary cause of the large outlays, and in part because revenues from certain types of taxes, particularly income, profit or property taxes, tend to lag during a period of active inflation, unless a particularly efficient "pay as you go" system of collection is in effect. Nevertheless, even in these difficult circumstances, some method of achieving a genuine balance between Government income and outgo will be required to bring inflation under control.

In some countries strong inflationary pressures reflect primarily the large volume of currency and liquid assets created during the course of the war and subsequent overexpansion of credit by the banking system. In some countries, such as Great Britain and also for that matter the United States, this condition exists despite a balanced budget. In others, particularly countries on the continent of Europe, where huge accumulations of currency were disbursed by the Nazis during the war, fiscal and currency inflation exist simultaneously and reinforce each other. It is appropriate to control a currency or credit inflation by measures designed to shrink the monetary base or, if the inflation has worked itself out in higher prices, to prevent further expansion in the monetary base. In Belgium, the problem was met immediately after liberation by a drastic reconversion of the currency, a move which has been copied in some other cases, most recently in Russia. As in the case of fiscal reform, effective measures to reduce or adjust a redundant money supply are politically unpopular. They must be undertaken, however, if further inflation is to be avoided, and if black markets are to be eliminated and rationing abolished.

Overinvestment is a very general characteristic of inflation. In countries running a fiscal deficit, the existence of the deficit can frequently be attributed to investment outlays initiated by the Gov-

ernment. To bring aggregate outlays on investment into an appropriate relation to savings, control of inflation in the recipient countries will require effective measures to raise production in general and the production of key bottleneck commodities in particular. Coal and fertilizers are cases in point. Every increment of increase in the availability of these commodities will have effects that are more than proportional in relieving the strains on the economy.

It is more difficult to evaluate the part that generalized direct rationing controls may be expected to play in the future control of inflation among the recipient countries. In many of the countries the existing controls have broken down, active inflation is rampant, and black markets prevail. It would be unrealistic and impracticable in such cases to expect appreciable results from efforts to reinstitute effective controls. Such controls require, above all, an efficient, scrupulously honest, administrative personnel, of a type particularly difficult to attract to the public service in sufficient numbers under conditions of active inflation. In countries where the existing controls have not broken down, their continued operation can help considerably to dampen and restrain the spiral of inflationary price and cost increases. They provide these countries, consequently, an opportunity to attack the primary causes of inflationary pressures before they have become fully embedded in the price structure.

FOREIGN-AID PROGRAM AND CONTROL OF INFLATION WITHIN WESTERN EUROPE

The principles underlying the program of foreign aid recommended by the select committee¹ have been formulated in the light of the inflationary pressures that prevail within the countries of western Europe and are specifically designed to help in the effort to bring these pressures under control. They provide not only for measures to increase output, but also for reform of fiscal practices, for the absorption of redundant money supplies, and for the stimulus and redirection of investment into channels designed to maximize the productivity of western Europe. The outstanding points on which the select committee's statement of principles is designed to make an effective contribution to the problem of inflation are listed below:

DESIGNED OBJECTIVES OF THE PROGRAM TO CONTROL INFLATION

A. A sustained inflow of the basic commodities, that is, foods, fuel, and fertilizers, that are essential to the maintenance of production in western Europe. Without imports of these commodities in adequate minimum volume, production will decline and inflationary pressures will be accentuated.

B. A comprehensive and concentrated attack on obstacles to increased production of crucial bottleneck items. Food output would be stimulated by the delivery of fertilizers, agricultural equipment, and so forth, by control of inflation, and by the provision of incentive goods. Highest priority would be given to the restoration of coal output. In both cases, the effort would be a common effort on the part of the United States and the nations of western Europe. Narrow considerations of national advantage would not be permitted to impede the program.

¹ See Preliminary Report No. 8, Proposed Principles and Organization of Any Program of Foreign Aid.

C. The countries planning to participate in the program have already pledged themselves to undertake fiscal reform. The prospect of participation will constitute a continuing incentive to persevere in the task despite its very real difficulties.

D. Deliveries of food, fuel, and fertilizers will be effected against the deposit of local currencies in special accounts. As these accounts grow they will operate powerfully to absorb redundant purchasing power in countries experiencing monetary inflation.

E. Imported raw materials for further processing such as the fibers, metals, etc., will be provided through loans extended by the Export-Import Bank on a basis as similar to normal commercial credits as possible. The techniques underlying credit extensions of this type have a long history. They are based on a wide and varied experience. They may be expected to insure that the funds are not wasted, that they are used to purchase the commodities specified in the loan contract, that the commodities are purchased economically, that they are delivered to the plants most effectively situated to process them efficiently, and that the finished products are suitable for the market for which they were designed and are priced both to cover costs and to sell in that market.

F. Imported equipment needed for capital purposes will be financed almost entirely through the International Bank for Reconstruction and Development, a public institution which is dependent for its operating funds on issues floated in the public money markets. Since the International Bank must operate on its own resources, projects which it finances must in general be self-liquidating. This will go far to insure that funds borrowed abroad for capital-development purposes will be utilized efficiently in expanding the productive capacity of the borrowing country.

G. Local currency funds received in payment for deliveries of food, fuel, and fertilizers will be earmarked in general for internal investment in projects designed to increase the productive capacity of the recipient country. So long as the problem of inflation control requires the absorption of redundant purchasing power these funds should be left idle. When that redundancy has been eliminated they will be available for local investment. They will constitute an important source of savings in a situation where individual incentives to save have been weakened by currency inflation and political insecurity. They will help to insure that genuinely productive investment projects continue to be financed, even though aggregate outlays on investment are reduced as part of the program of inflation control.

These seven specific points by no means exhaust the possibilities. Given imaginative, informed, and sympathetic administration on the part of the American personnel in cooperation with the authorities of the recipient countries, it should be possible to minimize operating obstacles that frequently arise to impede the successful execution of fiscal and monetary reforms. A high-level finance committee might be established, for example, by the participating nations, to provide continuous intelligence and advice on programs of inflation control in the various countries. Such a committee was established by the League of Nations following the First World War and operated on very similar problems with outstanding success. A similar multinational committee might be established to deal with such transitional problems as those of industrialization or with comprehensive programs for expansion of food output.

INTERNATIONAL ASPECTS OF INFLATION CONTROL

It will complicate enormously the process of fiscal reform and inflation control if local currencies received in consideration for deliveries of American supplies are devoted mainly to retirement of existing government debts within the participating countries. The 16 nations in their Paris report have given an indication of the enormous amount of internal investment that will be needed in western Europe to increase their productive capacity to a basis that will permit self-support. This problem falls on a continent where incentives to save have suffered serious deterioration. For millions of people past savings have been wiped out by inflation. Throughout the continent the menace of being overrun, overturned, or dominated by outside powers further weakens the incentive to save and strengthens the incentive to dispose of such savings as are made in various forms of hoarding such as hard currencies or gold. It is difficult to see under these circumstances how the needed volume of new investment in western Europe can be financed by appeals to private savers. It will probably require a considerable volume of more or less enforced government borrowing in some form or another. The local currency funds delivered as consideration for supplies under the foreign-aid program will be an important source of new savings that can contribute to alleviate this situation. The Select Committee on Foreign Aid has recommended that as soon as inflation is brought under control, these funds be made directly available for productive internal investment. If this is not done and they are used mainly for the retirement of debt as proposed by the administration, many of the governments will be forced to borrow funds back from the public as fast as debt is retired out of local currency receipts under the foreign-aid program. This will not only tend to remove any reality from the requirement that aid deliveries be paid for in local currencies; it will also jeopardize the possibility of achieving success in the control of inflation. It is obvious that a government would have great difficulty in stabilizing its internal money markets if it had simultaneously to appear in those markets as a large borrower of new funds.

Although inflation is world-wide today, and inflationary pressures in one country help to create equivalent pressures elsewhere, the steps necessary to control inflation must necessarily be taken country by country. This situation arises because the fiscal and monetary decisions required to implement an attack on inflation apply only within national boundaries. At the present time the fiscal and monetary authorities of many countries including the United States, Great Britain, Germany, France, and Italy, are all planning to come to grips with the problem of inflation. These are the key countries of the western trading world. Should they succeed, their efforts would be mutually reinforcing and would hasten immeasurably the restoration of economic equilibrium to the area outside the "iron curtain."

Successful control of inflation within the United States would in addition to its internal benefits tend to relieve the present excessive pressure on supplies, and thus increase their availability and reduce the cost of the program of foreign aid. By the same token it would reduce the deficit in the balance of payments between western Europe and the Western Hemisphere and thus help to advance the time when equilibrium on a basis of self-support could be expected. Successful

control of inflation within the key countries of Europe can be expected to increase their aggregate current production, particularly their production of goods in most urgent need. It will make possible the elimination of black markets, the abolition of a large proportion of the controls that now impede production, and the establishment of balanced price, cost, and income relationships in their internal markets. These achievements will not only tend to improve productivity within western Europe, they will have constructive international repercussions. They will, for example, make it possible to establish exchange rates in the various countries that are realistic, that is, that reflect current cost and price relationships, and that also have a prospect of considerable stability.

Much thought was given during the war to the pattern of postwar economic relationships. It was realized that the achievement of satisfactory living standards would require an expansion of international trade on a multilateral basis. In accordance with this analysis, the Government of the United States took the lead in proposing the creation of the International Monetary Fund, the International Bank for Reconstruction and Development and the International Trade Organization. The first two of these institutions are now established. It is the function of the Bank to make sound loans, that is, repayable loans, for capital reconstruction and development purposes, and of the Fund to maintain orderly exchange relationships between currencies that are temporarily under pressure. With the assurance provided by these facilities, it was hoped that the major trading nations of the world would be able to relax exchange controls, maintain the convertibility of currencies, abandon bilateralism, eliminate quantitative restrictions to trade, and minimize tariff barriers. These goals have not yet been achieved and the two financial institutions established as a result of Bretton Woods have been forced to confine their operations within narrow limits.

The character of postwar developments has emphasized the necessity for an even larger expansion of international trade than was foreseen during the war. In fact, without such expansion it is difficult to see how the countries that remain outside the "iron curtain" can be restored to a basis of self-support. Postwar developments have also provided abundant evidence of the difficulty if not the impossibility of achieving such expansion under the restrictive effects of exchange controls, inconvertibility, bilateralism, and import quotas. At the same time the minimum import needs of western Europe have been so large in relation to their current export availabilities as to preclude the immediate abolition of these restrictive devices.

We have here a sort of vicious circle. Current deficits in the balance of payments of the major countries of western Europe are so great that they cannot relax their controls, even though one effect of these restrictive controls is to impede the very expansion of output that will be necessary to close the gap in the balance of payments. So long as this unstable condition persists, the International Bank will necessarily hesitate to make loans that would be considered sound under other circumstances. The International Monetary Fund also will find it difficult to extend aid in establishing sound exchange relationships.

The adoption of a program of foreign aid extended in accordance with the principles recommended by the select committee would go

far to remove the principal factors that have been responsible for the perpetuation of this vicious circle. First, it would remove from the exchanges the burden of transfer for a large part of the current deficit in the balance of payments of western Europe. The financial counterpart of that deficit would be eliminated to the extent that consideration for deliveries of food, fuel, and fertilizers was accepted in local currencies. Second, it would postpone or defer the transfer through the exchanges of payments for raw materials, equipment, capital goods, and so forth, financed through the Export-Import Bank or the International Bank for Reconstruction and Development. These two measures taken together would narrow to nearly manageable proportions the current difference between hard-currency availabilities in western Europe and hard-currency payments. Third, the establishment of realistic and relatively stable rates of exchange would promote an expansion of exports from western Europe to hard-currency countries and thus operate positively toward further equilibrium in the balance of payments.

Fundamental equilibrium in the economy of western Europe will not be reestablished until production has been restored and expanded and exports have been raised to a level sufficient to pay for minimum import requirements.¹ It will take some years to realize these goals. Equilibrium in current money payments through the exchanges, however, can be achieved much earlier if the foreign-aid program is administered in accordance with the principles recommended by the committee. It should be achieved, in fact, soon after current inflationary tendencies are brought under control in the key countries of the trading world. The stage would then be set for the relaxation or elimination of inconvertibility, bilateralism, and other current restrictive controls that impede the expansion of international trade.

APPENDIX A

GOLD AND DOLLAR RESOURCES OF THE WESTERN EUROPEAN COUNTRIES

In the absence of sufficient exports to pay for essential imports, particularly from dollar areas or for which payment in dollars is necessary, the principal countries of western Europe have been forced not only to incur new loans and to liquidate assets, but also to deplete their monetary reserves. In certain countries gold and dollar resources are now either exhausted or approaching exhaustion. In the case of others, unless new resources become available, there will be further heavy drains before the end of 1948. The Paris Committee of European Economic Cooperation has estimated that the total monetary reserves of the 16 nations have already been depleted below the point which would be considered appropriate to a position, in the aggregate, of self-supporting equilibrium, and has stated that approximately \$3,000,000,000 will be needed for their restoration.

The dollar balances and monetary reserves of Great Britain on August 1, 1947, amounted to about \$2,400,000,000. Sir Stafford Cripps on October 23, 1947, estimated that by imposing drastic import restric-

¹ For a discussion of other developments necessary to the restoration of economic equilibrium in western Europe see Select Committee on Foreign Aid, Preliminary Report No. 14 (What Western Europe Can Do for Itself).

tions and further expanding exports, the United Kingdom will have monetary reserves of approximately \$1,080,000,000 at the end of December 1948. This did not take into account possible future dollar drawings on the International Monetary Fund or release of the then remaining \$400,000,000 which was temporarily frozen under the United States Treasury loan to the United Kingdom. These two items, if included, would indicate a gold and dollar reserve position for the United Kingdom of \$1,950,000,000 at the end of December 1948. However, it would not be safe to allocate the full amount of the British gold and dollar holdings against the prospective deficit in the balance of payments of the United Kingdom alone. Sterling is an international currency. The ultimate liquid reserves of many countries besides the United Kingdom are held in whole or in part in sterling. Under conditions of free convertibility, the reserve backing of sterling would be called upon to meet balance-of-payments deficits of some of these countries. Although such calls would not at present be automatic or obligatory, they cannot be ignored. Even under current conditions of partial convertibility, they represent claims which may have to be honored.

In addition to the remaining monetary reserves of European countries, there are various other sources of funds which may become available under certain circumstances. These include the Export-Import Bank, the International Bank for Reconstruction and Development, the International Monetary Fund, the remaining balance of the United States Treasury loan to the United Kingdom, potential borrowing power under excess collateral securing the existing Reconstruction Finance Corporation loan to the United Kingdom, and potential borrowing power on foreign holdings of United States securities. A few countries still have sufficient gold and dollar official balances and some have private dollar balances as well as private gold hoards. The following tables outline these gold and dollar potential availabilities.

I. EXPORT-IMPORT BANK POSITION AS OF DEC. 31, 1947

(In millions of dollars)

Total, lending authority-----	3, 500. 0
Loans outstanding-----	1, 970. 7
Loans authorized but not disbursed-----	1, 032. 0
Total loans and commitments-----	3, 002. 7
Net free lending balance-----	497. 3

*Scheduled repayments by calendar years over next 5 years of loans outstanding
Dec. 31, 1947*

	Millions		Millions
1948-----	\$131. 7	1951-----	\$92. 1
1949-----	74. 8	1952-----	114. 5
1950-----	90. 4		

The tabulation below details Export-Import Bank loan activities with the CEEC countries. It will be noted that as of December 31, 1947, of Export-Import Bank loans authorized of \$1,951,000,000 to 10 CEEC countries there remained an undisbursed balance of \$312,700,000 to 9 of these countries.

EXPORT-IMPORT BANK OF WASHINGTON

*Statement of loans and authorized credits to the 16 participating countries for the
period July 1, 1945, to Dec. 31, 1947*

Country	Credits authorized July 1, 1945 to Dec. 31, 1947	Cancellations July 1, 1945 to Dec. 31, 1947	Balance not yet disbursed Dec. 31, 1947	Amount disbursed July 1, 1945 to Dec. 31, 1947	Principal repaid on loans July 1, 1945 to Dec. 31, 1947	Principal outstanding on loans Dec. 31, 1947	Interest received July 1, 1945 to Dec. 31, 1947
Austria-----	\$14, 255, 000		\$14, 255, 000				
Belgium-----	150, 000, 000		50, 000, 000	\$100, 000, 000	\$2, 750, 152	\$97, 249, 848	\$3, 101, 524
Denmark-----	20, 000, 000		5, 000, 000	15, 000, 000		15, 000, 000	313, 102
France-----	1, 200, 000, 000		38, 000, 000	1, 162, 000, 000	23, 097, 500	1, 138, 902, 500	16, 848, 126
Western Germany-----	19, 000, 000		14, 430, 904	4, 569, 096		4, 569, 096	
Greece-----	25, 000, 000		15, 200, 000	9, 800, 000		9, 800, 000	111, 158
Iceland-----							
Ireland-----							
Italy-----	134, 263, 812	\$2, 700, 000	102, 025, 507	29, 538, 305	11, 570, 785	17, 967, 520	106, 590
Luxembourg-----							
Netherlands-----	303, 161, 813	197, 768, 670	108, 597	205, 284, 546	12, 460, 519	192, 824, 027	5, 136, 065
Norway-----	50, 000, 000		40, 000, 000	10, 000, 000		10, 000, 000	90, 000
Portugal-----							
Sweden-----							
Switzerland-----							
Turkey-----	36, 060, 000		33, 736, 818	2, 323, 182	233, 592	2, 089, 590	3, 766
United Kingdom-----							
Totals-----	1, 951, 740, 625	100, 468, 670	312, 756, 826	1, 538, 515, 129	50, 112, 548	1, 488, 402, 581	25, 710, 331

¹ Includes \$93,283,670 advanced by participating commercial banks.

II.—INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Statement of actual and potential United States dollar resources as of Dec. 31, 1947

[In millions of dollars]

Dollar and gold assets:	
Gold.....	4.0
Dollar balances.....	51.0
U. S. Government securities.....	410.9
Demand note of U. S. Government.....	215.7
Gold or dollars receivable (postponed to 1951).....	4.9
Total.....	686.5
Less: Loans authorized but not disbursed ¹	196.8
Net free United States dollar balance.....	489.7
Add:	
Potential dollars, receivable from sale of securities based on United States guaranty as follows:	
United States commitment.....	3, 175.0
Less:	
Already paid in dollar securities.....	635.0
Already sold.....	250.0
	885.0
Remaining free United States guaranty.....	2, 290.0
Total actual and potential United States dollar resources.....	² 2, 779.7

¹ Status of individual loan commitments (millions):

Borrower	Commitment	Disbursed	Unused balance
France.....	\$250.0	\$227.0	\$23.0
Netherlands.....	195.0	66.7	128.3
Denmark.....	40.0	1.3	38.7
Luxembourg.....	12.0	5.2	6.8

* There is included in the disbursements under this loan \$0.3 million which represents United States dollar equivalent of 13.1 million Belgian francs actually disbursed.

² The above tabulation only takes account of actual and potential United States dollar and gold resources, on hand or receivable. It does not take into account other member currencies on hand or receivable, nor possible dollar borrowing power (unlikely at present) based on other member guaranties. The tabulation strips down the total assets of the Bank to actual and probable potential United States dollar availabilities, as requests for loans from the Bank in the near future will presumably be largely confined to requests for United States dollar loans.

III. INTERNATIONAL MONETARY FUND GOLD AND DOLLAR POSITION AS OF NOV. 28, 1947

[In millions of dollars]

Gold holdings.....	1,356.0
United States dollar holdings.....	1,626.4
Total.....	2,982.4

It should be noted that in this period of monetary pressures the Fund is undoubtedly active and receiving requests for purchases of dollars from the Fund. It is possible that further sales of dollars have been made and not yet publicly announced.

The following countries have made United States dollar purchases from the Fund:

	<i>Million</i>		<i>Million</i>
Chile.....	\$7.5	Netherlands.....	\$30.0
Denmark.....	3.4	Turkey.....	5.0
France.....	125.0	United Kingdom.....	240.0
Mexico.....	22.5		

The permitted drawings of dollars from the Fund within 1 year of the drawings are limited to 25 percent of the member's paid subscription to the Fund. Under this provision, 1-year dollar drawing quotas for the CEEC countries which are members of the Fund are as follows:

	<i>Million</i>		<i>Million</i>
Belgium.....	\$56.2	Luxembourg.....	\$0.2
Denmark.....	17.0	Netherlands.....	68.7
France.....	131.2	Norway.....	12.5
Greece.....	¹ 10.0	Turkey.....	10.7
Iceland.....	0.2	United Kingdom.....	325.0
Italy.....	¹ 45.0		

¹ These countries have been accepted into membership in the Fund but are not yet entitled to buy other currencies from the Fund because the par values of their currencies have not been determined and the gold payments due on their subscriptions have not been paid into the Fund.

For practical purposes a country drawing on the Fund must repay a substantial portion in gold or dollars the following year, unless the monetary reserves of the country have decreased by more than the Fund's holdings of that country's currency have increased during that year.

The following countries which participated in the Paris Conference are not members of the Fund:

Austria	Ireland	Sweden
Germany	Portugal	Switzerland

IV. BRITISH LOAN FROM UNITED STATES TREASURY

On July 15, 1946, the United States Treasury was authorized to lend the United Kingdom \$3,750,000,000. Up to January 3, 1948, disbursements of \$3,550,000,000 have been made leaving a remaining balance of only \$200,000,000.

V. RECONSTRUCTION FINANCE CORPORATION COLLATERAL LOAN TO UNITED KINGDOM

[In millions of dollars]

Collateral:

Approximate value of collateral (Oct. 28, 1947).....	900. 0
Approximate average annual income from collateral.....	37. 0

Loan:

Authorized.....	425. 0
Disbursed.....	390. 0
Less repaid.....	213. 7

Balance outstanding (Dec. 31, 1947)..... 176. 3

Terms: Dated July 21, 1941. Due serially to July 1, 1956. Interest rate, 3 percent.

The value of collateral pledged so greatly exceeds the remaining balance of the loan that it would appear this loan could be refinanced, the amount of the loan substantially increased, and additional dollar resources thus made available to the United Kingdom. The average annual income of \$37,000,000 from the above collateral would cover interest and principal payments necessary to service a \$700,000,000 loan at $3\frac{1}{4}$ percent interest, due serially in annual payments over 30 years. These terms are similar to the International Bank loan to France of \$250,000,000 on May 9, 1947. This loan bears interest at $3\frac{1}{4}$ percent and is due serially to May 1, 1977.

VI. LONG-TERM INVESTMENTS IN THE UNITED STATES OF THE 16 CEEC COUNTRIES

The following table showing long-term investments in the United States as of June 30, 1947, of the 16 Paris-conference countries has been prepared from information made available to the Senate Finance Committee by the National Advisory Council. It should be remembered that the investments vary widely as to availability and liquidity:

[In millions of dollars]

Country or area	Long-term assets ¹		
	Securities	Other	Total
Countries participating in European recovery program:			
Austria.....	3	3	6
Belgium.....	55	130	185
Denmark.....	10	24	34
Eire.....	14	26	40
France.....	225	240	465
Greece.....	5	27	32
Iceland.....			
Italy.....	14	49	63
Luxembourg.....	5	8	13
Netherlands.....	580	415	995
Norway.....	20	30	50
Portugal.....	12	9	21
Sweden.....	50	65	115
Switzerland.....	645	225	870
Turkey.....	10	6	16
United Kingdom ²	600	1,425	2,025
Total, participating countries.....	2,248	2,682	4,930

¹ Long-term assets: Securities item is composed of holdings of stocks and bonds of United States corporations and bonds of the United States Government. The "other" item is composed of controlling interests in United States corporations, interests in estates and trusts and other types of property holdings.

² United Kingdom total includes collateral with a value of approximately \$900,000,000 pledged under the Reconstruction Finance Corporation loan to the United Kingdom.

Should the above countries successfully mobilize these long-term investments, as the United Kingdom has done, it is probable that substantial dollar balances could be obtained either through liquidation of the investments or pledging of the investments under collateral loans. Excellent precedent exists for the collateral loan procedure as noted in the tabular information presented with respect to the Reconstruction Finance Corporation collateral loan to the United Kingdom.

VII. GOLD AND DOLLAR BALANCES OF THE 16 PARTICIPATING COUNTRIES

At the request of the Senate Finance Committee, the National Advisory Council prepared information with respect to foreign gold and dollar balances in the United States as of June 30, 1947. Through the courtesy of the Senate Finance Committee this information has been used to prepare the following table (as of June 30, 1947, in millions of dollars):

Country	Gold ¹	Dollar Balances ²		Total resources
		Official	Private	
Austria.....	10			10
Belgian monetary area (including Luxembourg and Belgian Congo).....	659	28	166	853
Denmark.....	32	17	35	84
Eire.....	11	3	15	29
French monetary area (including dependencies in International Monetary Fund French quota).....	700	106	210	1,016
Greece.....	20	15	17	52
Iceland.....	1	3	4	8
Italy.....	60	79	108	247
Netherlands and Netherland West Indies.....	214	65	155	434
Norway.....	77	29	62	168
Portugal and dependencies.....	390	12	32	434
Sweden.....	168	24	109	301
Switzerland.....	1,355	67	329	1,751
Turkey.....	191	16	35	242
United Kingdom and dependencies included in International Monetary Fund quota of United Kingdom.....	2,360	49	347	2,756
Total.....	6,248	513	1,624	8,385

¹ Official gold holdings; for countries whose holdings have not been published, available estimates have been made.

² Deposits and other short-term dollar resources, as reported by banks, bankers, brokers, and dealers in the United States to the Federal Reserve banks and the U. S. Treasury.

The National Advisory Council report to the Senate Finance Committee points out that "most of these resources constituted reserves needed by their holders to finance the current flow of international trade or to back their currencies. Holdings not so required may be estimated roughly as follows: (a) About 1.5 billion dollars held by Switzerland, Portugal, and Turkey * * *". These are the only participating countries estimated by the National Advisory Council to have excess gold and dollar reserves as of June 30, 1947. That of Switzerland is the most important one from the point of view of the problems under consideration by the committee. Switzerland is a very small country but soundly administered in a financial sense. It also enjoyed the advantages of neutrality during the war. As a result, it ended the war with ample monetary reserves and has been able to maintain a good position because it was able to export. While the economy of Switzerland is not sufficiently large to enable it to assume much risk, the country is in a position not only to supply capital imports needed by the deficit countries, but also to provide for their financing, particularly if the recovery plan as a whole is conceived on a sound basis.

With respect to the private-dollar balances listed above, the report states:

In large part these private balances actually represent the working funds of foreign commercial banks and business firms engaged in international finance and trade activities * * *. The remainder (probably a small part only) consists of "refugee" funds held in the United States for safety and stability by private individuals, and their use in financing foreign needs will depend on the degree of control which foreign governments can exercise, or the willingness of private holders to repatriate them.

VIII. HOARDED GOLD

It is generally accepted that substantial private gold hoards exist in certain European countries, notably France. The Bank for International Settlements, in its June 1947 report, estimates the private French gold hoard at \$3,400,000,000. M. Jean Monnet, the director-general of the Monnet plan, places the figure in excess of \$2,000,000,000. It is difficult, if not impossible, to force private gold hoards out of hiding by compulsion. It would be logical to expect, however, that with restoration of monetary stability, some of this gold would be enticed out of hiding just as it was after the revaluation and stabilization of the French franc in the middle twenties.

RECAPITULATION

A summary of these gold and dollar potential availabilities has not been made, for the reason that it is not possible to allocate availabilities in certain institutions, such as the Export-Import Bank and the International Bank and Monetary Fund, solely to the 16 participating countries. The operations of these institutions, under the terms of their enabling statutes and agreements, are not confined to these 16 countries. In addition, only 11 of the 16 countries are members of the International Bank and Fund.

The two British credits, of course, apply only to the United Kingdom. The table showing foreign investments in the United States, so far as the United Kingdom is concerned, includes the securities pledged under the Reconstruction Finance Corporation collateral loan to that country.

As noted in the table showing gold and dollar balances of the 16 participating countries, the only countries estimated by the National Advisory Council to have "excess" gold and dollar reserves are Switzerland, Portugal, and Turkey.

The tables clearly show, however, that there are substantial dollar reserves, in one form or another, that might be drawn upon to help restore monetary resources or otherwise to assist in financing the European recovery program.



GOVERNMENTAL CONTROL POWERS AFFECTING
THE FOREIGN-AID PROGRAM

PRELIMINARY REPORT SIXTEEN
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



MARCH 4, 1948.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
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80TH CONGRESS } 2d Session }	HOUSE OF REPRESENTATIVES }	REPORT No. 1503
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GOVERNMENTAL CONTROL POWERS AFFECTING THE
FOREIGN-AID PROGRAM

MARCH 4, 1948.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed

Mr. HERTER, from the Select Committee on Foreign Aid, submitted
the following

PRELIMINARY REPORT SIXTEEN

[Pursuant to H. Res. 296]

GOVERNMENTAL CONTROL POWERS AFFECTING THE FOREIGN-AID PROGRAM

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SUMMARY

A. EXPIRING POWERS UNDER SECOND DECONTROL ACT

The recent action of the Congress in extending provisions of the Export Control Act of 1940, as amended, through Public Law 395, December 30, 1947, leaves certain problems which will be examined in this report.

Some powers in the Second Decontrol Act have not been extended by Public Law 395, and will therefore expire on February 29, 1948, unless further action be taken. The important powers to consider are: (1) allocation and priority over tin, which are now being used to conserve tin for essential purposes (e. g., for the preservation of food); (2) import controls over fats and oils, rice and rice products, and nitrogenous fertilizers, which implement international allocations of these scarce items; (3) priority powers over materials needed to increase production abroad of materials needed critically in the United States, now used principally to increase the production of tin; (4) priority powers over nitrogenous fertilizer materials to carry out export programs; (5) priority power over other materials (except foods and food products, certain hard fibers and cordage, and fertilizers) when the need for export is certified by the Secretary of State and approved by the Secretary of Commerce. The extension of these powers is proposed in the Herter bill (H. R. 4579).

B. EXPORT CONTROL

1. Export controls are vested primarily in the Department of Commerce, although several seldom-used control powers lie in other departments. The Secretary established an advisory committee and a review committee, the latter being the operating committee which recommends specific action on export matters. Difficulties inherent in interdepartmental committees, arising as they do from a conflict of interests of varying importance and from unequal knowledge and bargaining power, might not be eliminated by the addition of a new agency to administer foreign aid, as under any plan the departments would still have to play an active part in estimating supply, demand, and the United States export potential. But the new agency should improve the focus, expedite action, and supply a balancing factor for both foreign and domestic purposes of the new program.

2. The purpose of export controls may be protective, i. e., to stem inflation and to meet essential needs at home, or positive, e. g., to insure equitable and useful distribution of goods sent abroad.

3. The present system of control centers around the Positive List of commodities for which an approved license is required. Items on this list include, among others, meats, grains, feeds, petroleum, iron and steel, etc. The instruments of control are:

(a) Quotas—quantitative, which may be subdivided by countries, end uses, and individual exporters, and thus provide the greatest degree of flexibility; closed, which permit the export of only small quantities of urgently needed goods; and open end, which permit an expansible allotment; and

(b) Licenses—individual, blanket, for limited distribution, consolidated, or special, of which the individual and the consolidated are the most important. The individual license fixes quantity, consignor and consignee, and is usually issued for only a single commodity; the consolidated license is issued for a single commodity, or related commodities, for individual countries or a group thereof.

4. The question of the present scale and adequacy of export controls is difficult if not impossible to answer because of the lack of an objective standard of measurement. There does not exist a public policy in relation to Europe which includes even suggested standards of need, either here or abroad. To date, the quantity of American exports has not prevented our standard of living from continuing to rise, but has probably contributed more than its proportional share to inflation. The latter would be the case if exports were considered as the marginal increment added to domestic demand, if they could not be balanced in the near term and to a normal degree by imports, or if their composition was such as to aggravate new wage demands at home.

5. Before the question of quantities or composition of goods to be exported can be answered, the American people must decide upon their attitude toward the European struggle. At the extremes they may either regard CEEC as the principal instrument of protection from hostile economic and political pressures directed fundamentally against this country, in which case any probable sacrifice can be regarded as small; or they may believe that the threat is fairly remote, or that we may not be able to save Europe under any circumstances. Under the latter versions assistance might very well be held close to a simple relief or humanitarian level. The truth no doubt lies somewhere between these extremes, but there must be a crystallization of the American position in such terms before there can be workable standards of export control. Up to now there has been no political basis for such standards.

6. Tests must be devised to determine proper export allowances, particularly to the 16 CEEC countries and to western Germany. Past performance offers little guide because of the absence of generally accepted standards of judgment.

C. LOCATION OF SCREENING AND LICENSING FUNCTIONS

1. Screening of foreign requirements has two purposes: to safeguard the American economy from an excessive outflow of scarce materials, and to insure effective use abroad of materials that are released. The second purpose is modified by the traditional American

policy of noninterference in the internal policy of other nations. The present administrative set-up is hampered by inadequate personnel, lack of funds, lack of explicit objectives and purpose on the part of the Government generally.

2. The present program screening or reviewing functions of the Office of International Trade are likely to assume increased importance under the President's plan for a foreign-aid organization (H. R. 4840). Under that plan the Secretary of Commerce would presumably remain the final authority on export availabilities, and if foreign-aid functions are otherwise spread over several agencies it would seem logical to hold the review or screening function close to his office as the source of protective policy.

3. If all powers are concentrated in a new agency subject to the advice of a Foreign Aid Council and approval of the President, as recommended by the select committee (H. R. 4579), it would appear that most of the present facilities of the OIT for programing, screening, and licensing of exports, should be shifted to that agency. Administrative facilities should go with power and responsibility.

4. Even if the President's plan were adopted, however, a strong case can be made for giving the new agency control over the licensing of shipments. The problem of matching thousands of such shipments from many ports with programs developed overseas in cooperation with other governments will be major, and the new agency will be held responsible for effective coordination. Such a transfer, it must be recognized, would create difficulties for the Secretary of Commerce. He would retain a statutory responsibility for close contact with developments abroad and for continuing advice and service thereon to American business, while losing one of his most intimate points of contact.

5. The Office of Materials Distribution in the Department of Commerce administers the remnants of the wartime priority powers under title III of the Second War Powers Act as amended by the Second Decontrol Act. The proper location of priority powers under the foreign-aid program would seem to be fixed by the disposal made of the allocation power previously discussed.

6. Responsibility for all allocation, programing and administration inheres finally in the President under the plan of organization proposed by the Select Committee on Foreign Aid. Assurance of business-like operation lies in the statutory grant of power to the new agency to control exports and exercise other powers necessary to its programing function. Assurance of proper balance in domestic and foreign responsibilities under this grant is believed to be provided both by the terms of the mandate itself and by the safeguard of Foreign Aid Council review.

PREFACE

Within Congress and over a considerable section of business, the extension of export control has been one of the least controversial of the problems left over by the war. The export industries themselves are sensitive to any tendency to impute to them an undue share of responsibility for current inflationary pressures, but in the main seem to be objecting to discrimination against exports as such rather than to principle. Nor are the reasons for general business tolerance hard to understand. Some domestic consuming industries,

for example, might quite logically condone export control while vigorously opposing any similar regulation of their own sales. At any rate, the consequences of an unrestrained flow of goods both to solvent and to reckless foreign buyers are plain: At home large quantities of goods necessary to the maintenance of a high level of balanced and counter-inflationary production would be withdrawn; abroad the benefits of our sacrifice would be dissipated. The Congress therefore acted with an understandable promptness in extending the Export Control Act of June 28, 1940, as amended, through Senate Joint Resolution 167, which became Public Law 395 on December 30, 1947.

This report has two purposes: One is to discharge the obligation of the Select Committee on Foreign Aid to leave a comprehensive record of the problems that it was instructed to examine. The other is to call attention to several residual questions that the Congress may wish later to consider: (a) the consequences which may follow the lapse on February 29, 1948, of certain powers contained in the Second Decontrol Act, including principally (1) that of allocating small lots of critical goods for especially important needs of foreign countries through the medium of priorities and/or set-asides, and (2) those over the distribution and use of a few extremely short and critical materials such as tin and tin plate, antimony, cinchona bark and derivatives, fats and oils, rice, and rice products, and those over exports of nitrogenous fertilizers; and (b) the physical location of export control powers including principally screening, licensing, and priority powers under the foreign-aid program.

I. EXPIRING POWERS UNDER THE SECOND DECONTROL ACT

Public Law 395 of December 30, 1947, extends to February 28, 1949, certain of the powers contained in the Second Decontrol Act of 1947. It did not, however, extend certain other powers in the Second Decontrol Act, and these will expire February 29, 1948, unless further action is taken. The powers continuing only to February 29, 1948, are the following:

- (1) General allocation and priority powers over: tin and tin products (except for import controls on tin ores and concentrates), antimony, and Government-held or -derived cinchona bark and quinidine (similar controls over quinine are no longer needed).

The broad allocation and priority powers over tin and tin products are being used to conserve tin for essential purposes. One of the principal purposes is the manufacture of tin plate for the preservation of essential and perishable foods, for use both at home and abroad.

The purpose is so sensible and the prospect of a general scramble for tin so unpleasant that few objections have been raised to the continuance of the power to allocate. The Department of Commerce meets regularly with an industry advisory committee representing American tin-plate producers, while contact with other Government departments having special knowledge of domestic and export needs is continuous. Perhaps it should be emphasized that only that portion of the export quota which is earmarked for the preservation of food is given any priorities assistance.

- (2) Import controls over fats and oils, rice and rice products, and nitrogenous fertilizer materials.

Import controls are being used to prevent our taking an unduly large part of the world's supply of scarce items, by limiting our imports to the quantities recommended by the International Emergency Food Council and agreed to by the United States representative on the IEFC.

Not until the recent war perhaps, did the average man learn of the importance of fats and oils to both his domestic and industrial life. Palm oil is needed for the production of tin plate, terneplate, and die making; castor beans for both medicinal and industrial uses; babassu oil and coconut oil to accelerate drying processes; rapeseed for machine and engine lubricants are now indispensable to modern industry. The world need for these products is hopelessly in excess of any possible supply. An effort on the part of the United States to live to itself would not be too embarrassing with respect to edible fats and oils, but our dependence upon other lands for industrial types, such as linseed, palm, and coconut oils, is almost complete.

In both areas, unfortunately, the situation is worsening rather than otherwise. The Congress need hardly be reminded that our domestic rate of slaughter is expected to decline, as will in all probability the 1948 soybean crop. Although world copra production is increasing, so are world requirements for this useful ingredient of soap, etc. Also, one of the consequences of the desire of our officials to limit cereal exports to human relief is that the recovery of the European livestock population will be retarded. That cost will have to be borne, as our cereal policy is the net product of a number of even more important considerations. A dilemma is nevertheless created which our own Government is under considerable constraint to recognize and which can only be resolved by continued cooperation with other countries in sharing inadequate supplies. It is fair to point out that, given a return to free markets, the buying power of the United States might be quite capable of preempting available stocks in the first instance. Grounds of pure self-interest might therefore appear to exist for withdrawing from participation in international allocations, which would be the practical effect of failure to extend section 2 of Public Law 188. The advantages of such a default, however, are on second thought not attractive. In the first place, so abrupt a change would widely dislocate world trade and production, whereas our best hope of early escape from the need to bolster up shaky economies abroad is in stabilization of trade and production. Secondly, the probable reaction to a dollar raid on meager supplies would be the erection of new and more militant export barriers in the countries of origin. The effect of a price scramble would also raise our own already inflated cost of living. In other words, the achievement of a minor and temporary gain through the restoration of competition might well mean a set-back for some of the major objectives of United States policy.

(3) Priority powers over materials needed to increase production abroad of materials critically needed in the United States.

This power has been used to increase the production of tin. It is expected, however, that other occasions will arise where assistance in providing a small quantity of materials, for example a critical item of equipment, will result in a substantial increase in the supply avail-

able to the United States of a material very much needed here. Petroleum is a case very much in point.

The case for accelerating the output of tin in the Belgian Congo and Nigeria as well as in the East Indies, in itself supports the principle underlying this power, and it is useless to pretend that in the present heaving state of world affairs equally good occasions for its use may not still emerge, beyond the ability of the Congress or anyone else to anticipate, as of this moment. In a period described as one of "cold war" powers to act in the national interest are peculiarly needed to assure development of strategic materials in relatively secure areas, to say nothing of economic shortages.

(4) Priority powers over nitrogenous fertilizer materials to carry out export programs.

This power has been essential to carry out the fertilizer export program. Without it, very little, if any, nitrogenous fertilizer materials would have been available for France, the Netherlands, China, and the other recipient countries. Without it, the appropriation for fertilizer for the French, approved in the special session, would have been of no avail.

The problem of whether or not to extend export priority powers over fertilizer contains perhaps more contradictory elements than any of the others discussed in this chapter. Fertilizer equals food. Food is short both at home and abroad. The shortage in Europe particularly has reduced standards of nutrition so close to the subsistence line as both to provoke social unrest and reduce production. As a result, the Congress has both directly and indirectly authorized the shipment of large quantities of cereals and other food to these countries. There is good reason to believe that, under comparable conditions, feeding the starved soils of Europe on a carefully programed basis will result in a greater addition to output of food in relation to input of fertilizer than in the United States, where the increased production would probably not be as great proportionately.¹ (It has been estimated that each ton of nitrogen exported is capable of producing from 10 to 15 tons of grain.) If that is the case, assuming a commitment on our part to supplement scanty European availabilities of food, the practical effect of shipping fertilizer would be to leave more food for ourselves.

The gravity of the problem at least is not in doubt. The IEFEC expects an output of barely 3,000,000 short tons of nitrogen in its 35 member countries for the year ending June 30, 1948, against requirements of 4,000,000 tons. On the other hand, while the committee does not accept improvement over past standards as evidence of sufficiency, it is not entirely irrelevant that present world allocation plans for 1947-48 would give 568,000 short tons of nitrogen in solid materials to American farmers in comparison with an annual consumption of about 330,000 tons before the war. It should be noted that of this 568,000 short tons of nitrogen in solid materials for American farmers, 187,000 tons comes from abroad (in the form of Chilean nitrates) under IEFEC recommendation, compared with exports of 61,000 tons of nitrogen. (Although the Army makes about 250,000 tons for occupied areas.) A reduction in our own exports of one form of fertilizer would probably result in a corresponding decrease in our imports. While this might appear desirable in that it would reduce

¹ See preliminary report No. 4 of this committee, World Fertilizer Requirements and Availabilities.

shipping, it must be noted that we could not replace the kinds of fertilizers that we import, which still are more easily applied and safer for certain types of crop fertilization.

Criticism of this particular power actually has to do more with possibilities of abuse than with probabilities. As a matter of fact, international allocations of potassic and phosphatic fertilizers have already been discontinued, and export priority powers were not used to any substantial extent during the third quarter. Nor was any obstacle placed in the way of imports of nitrogenous fertilizer materials. However, the Office of Materials Distribution of the Department of Commerce, in effect, did direct all producers of nitrogenous materials to set aside a percentage of their output for delivery on rated orders. The purpose of this action was to insure an orderly flow of nitrogen to importing countries.

Naturally, objections have been offered to the export of so badly needed a commodity as nitrogenous fertilizer. Mathematical demonstration that the country as a whole may gain more by sacrificing a small share of the supply than by keeping it does not impress the individual farmer who cannot get as much as he wants. Criticisms of the method of administration, including distribution of available United States supplies, have been more serious than those of principle. One difficulty has been to avoid discrimination among producers and in one peculiar instance even to determine what constituted discrimination. Some producers shifted to the manufacture of methanol last year and some are making it now. Allotments, however, are still based upon previous rates of production. The quandary posed here is that other producers could also have shifted to methanol had they so desired. Also, the Texas City explosion was followed by the imposition of safety precautions which seriously hindered export movements. Industry was still expected to do its best to get out 60 percent of approved foreign orders by the end of the year; in fact, a portion of last year's allotment is still being moved. Again, French inability to pay was a complicating factor.

(5) Priority power over other materials (except foods and food products, certain hard fibers and cordage and fertilizers) when the need for the export is certified to by the Secretary of State and when the Secretary of Commerce is satisfied that the export will not have an unduly adverse effect here.

This power has been used very sparingly. It has, however, made it possible to expedite some shipments for the Greek program, and it may be expected that further occasions for its use will arise in connection with any other foreign-aid programs which may be approved.

Again the fear of extending such a power rests more on distrust in principle than on a record of abuse. Except for tin plate and fertilizer, only one application for export priority assistance was granted in the third quarter (to increase tin production), and one in the fourth (steel for Greece). It may not be safe to predict, however, that the same restraint will be used in the future. The difference lies in the emergence of a comprehensive plan for foreign aid, the consummation of which may require the arrival in Europe of critical materials at critical points on a carefully organized schedule. To strip the administration of means necessary to purposes that the Congress has approved and may reaffirm would not seem wise, particularly as experience has shown

that the mere existence of the power may make its formal use unnecessary.

The renewal of the authority is recommended with the full understanding that its present extremely limited scope must probably be extended. The Congress is not defenseless. It is able at any time, through its standing committees, to require an accounting of any excess zeal on the part of administrative officers; and there need be no embarrassment in pointing out that respect for this power of review has been responsible for much of the caution displayed by such officials during the past year.

If anything is going to be done, it ought to be done quickly. It is difficult to appreciate the demoralization that grips any staff working toward an uncertain termination date. Some refuse to gamble and leave; the efficiency of others is cut. It is important that early consideration be given by the Congress to the question of whether or not an extension of the powers now scheduled to expire next month is wise.

II. APPRAISAL OF EXPORT CONTROL ADMINISTRATION

A. AUTHORITY, ORGANIZATION, AND PURPOSES

1. *Limitations of present authority*

Control over exports began as a national defense measure in 1940, was buttressed during the war by price control and authority to allocate, and has been permitted to survive the war because of a still heavy foreign demand and inadequate home supplies.

Until the end of 1947 the authority for export control was derived from Public Law 188, known as the Second Decontrol Act of 1947, which was scheduled to expire on February 29, 1948. This act was extended in part by joint resolution of the special session (Public Law 395, December 30, 1947) until February 28, 1949.

Both the expiring law and the resolution extended the blanket authority to limit exports originally conferred on the President by section 6 (a) of the Export Control Act of July 2, 1940. The old law, but not the new resolution, extended a small remnant of the authority given the President by title III of the Second War Powers Act to exercise priority and allocation powers over the production and distribution of goods. Even under the expiring act, except for nitrogenous fertilizers, the power to allocate for export is merely one part of a power to do so for any purpose, but is for all practical purposes limited to a handful of commodities.² In addition, the wartime priority and allocation power over railroad equipment and facilities is extended under both laws.

Certain other laws authorizing export control over a few special commodities are cited below.

2. *Organization*

Final authority over export control, in general, is placed by the expiring law in the Secretary of Commerce under the direction of the President, and may be vested in that officer by the President under

² Under the expiring act the power to allocate for export is stated in four different ways: Explicitly in the case of nitrogenous fertilizer materials; by inclusion in a general power of allocation in the case of tin and tin products, Government derived cinchona bark, quinine and quinidine, and antimony; by authorization to grant priorities for any materials needed to increase production abroad of materials needed here; and by authorization to grant priorities for materials (with some exceptions) needed to carry out our foreign policy, upon certification to that effect by the Secretary of State with the concurrence of the Secretary of Commerce.

the resolution. However, there are several special laws giving powers over the export of specific commodities to other departments. The Sugar Control Act (now expired) gave authority over sugar exports to the Secretary of Agriculture. The State Department exercises export authority over tin plate scrap, helium gas, certain arms, ammunition, and implements of war under the Munitions Control Act, and the Treasury Department controls gold and narcotics exports. The Atomic Energy Commission has the broadest powers over fissionable materials. Exports for civilian use in occupied areas were for a considerable period left within the discretion of the National Military Establishment, and Government exports under the Greek and Turkish aid and other foreign-relief programs rested with the Department of State. As will be seen, after passage of the Second Decontrol Act the latter two segments of the export market were eventually folded into the Commerce Department's general control system. Exercise of the authority of the Secretary of Commerce may also come as the last step in a series of actions tending in fact to limit his discretion. In the case of food and agricultural supplies, for example, the Department of Agriculture is still primarily responsible for the development of foreign requirements. It represents the United States on the International Emergency Food Council. The export quota recommendations it submits to the Department of Commerce for review and approval have been shaped by conferences, compromises and its own technical judgment (with Commerce itself participating at several levels) to a point discouraging drastic modifications of what amount to interagency agreements.

Control is vested primarily in Commerce, but the surprise feature of the postwar control history is the degree of cooperation among interested agencies that has been evolved in practice. Committees for operating purposes do not inspire confidence. They have been known to ramify into horrendous structures, but their most deadly aspects are delay, the greater responsibility of most members to protect their principals than to speed action, the need of a few to be masterful, the tendency to justify personal antipathies by finding principles involved, and the unequal bargaining power either of agencies or of their representatives. Nevertheless, the most desirable form of administration is not found merely by concentrating on deficiencies in one of the alternatives. The fact remains that a structure of Government agencies does exist, and that their several functions are important in varying degrees to any given program. No one would set up a master agency for each type of effort requiring their joint participation, e. g., for food, for commercial exports vs. relief, for fuel, for commodities and for manufactured goods separately. A multiplication of masters would quickly become more grotesque than the original dispersion, apart from the continuing problem of fixing a degree of over-all control within the Executive Office. Much depends on the size and national significance of the program, for example, war, and on the experience and special competence of the separate agencies to contribute to that program. Nothing in the contemplated foreign-aid project is likely to dispense with the need for a vast amount of interdepartmental committee work, even if a single point of authority is established for some functions. And, with the degree depending on unforeseeable developments and untested personalities, committees

will still be contributing heavily to final decisions under the foreign-aid program.

The set-up is at present as follows: The Secretary of Commerce established an advisory committee and a review committee on the Second Decontrol Act. Both are made up of representatives of Commerce, State, National Military Establishment, Agriculture, Interior, and ODT (plus, in the case of the junior group, the National Housing Agency). Membership of the upper committee is drawn from the Assistant Secretary level. Commodity subcommittees are set up under the review committee. (There is also a food committee at Cabinet level.) The advisory committee confers with the Secretary of Commerce on the determination of his general responsibilities under the act. At the operating level the review committee recommends the continuation or elimination of export controls over particular commodities, export allocations for commodities under export control, and action with respect to priority assistance for export. The same committee recommends import allocations for commodities under import control.

Mention has already been made of stray functions or committees which are gradually being tucked into a comprehensive organization. By agreement the National Military Establishment now subjects its intended exports of controlled commodities for civilian use in occupied areas to Department of Commerce appraisal and authorization. The same is now true of other Government agencies procuring for export, as in the case of portions of the Greek-Turkish aid program. A special interdepartmental committee functions on coal; it was in existence before the review committee and was never abolished, although it is not completely independent since disagreements are resolved through the review and advisory committees. Coal is a special problem. United States coal exports to Europe conform largely to recommendations of the European Coal Organization (now part of the United Nations Economic Commission for Europe), presumably screened against availabilities from United States sources.

The degree of success achieved by the departments in coordinating the use of the war powers turned over to them is relative but it is interesting at this time. The mechanism itself is not particularly significant—it is attitude and a willingness to sacrifice jurisdiction to expeditious action that matter—but there is always a problem to be solved in making committees adequately representative without being top-heavy. The result arrived at in this case, prelude as it is to an enterprise (the foreign-aid program) exceeding it principally in breadth of purpose and difficulty of judgment rather than in scale, is worth noting. It has faults but its ability to work under difficulties is encouraging.

There are frictions, gaps, and creaks in this effort to bend separate powers and resources to a common purpose. Mutual recriminations can still be found if sought. Autonomous departments retain their own opinion of the shortcomings of others, and of the respects in which the cooperation offered by others is qualified by self-interest or response to pressures. Influence at the committee table is actually quite unequal, a disparity which is partly proper and partly dubious, according to the relative merits attaching to specialized knowledge of a commodity, the views of underlying industries, and disinterestedness. Any one line agency is in a doubtful position to direct others. Com-

promise may mean laxity in the wrong places. Such difficulties are inseparable from multicellular government. The addition of a new agency may not profoundly change them. In actual operation, whatever is done with the symbols of power, old agencies tend to absorb a new agency as much as be directed by it—particularly with respect to their established functions. Deeply differing conceptions of both objectives and responsibilities will often end in compromise.

But a demonstration by the Departments of ability to cooperate on very limited export controls does not dispense with the need for a new agency to deal with a greatly enlarged problem, and one that requires formal programing for increased strains on short items, as well as because of policy problems on reexports raised by the attitude of Russia. A program of this importance and magnitude cannot be managed by the improvised mechanisms which were designed to liquidate the war powers. The significant need for the new agency is in two parts: (a) It should directly perform all major new functions, and (b) otherwise its powers or its use of them should primarily be those of coordination and direction within its field rather than complete preemption. This subject has been discussed in detail in preliminary report No. 11 of this committee, Comparative Analysis of Suggested Plans of Foreign Aid, and in preliminary report No. 8, Proposed Principles and Organization for Any Program of Foreign Aid.

3. Purposes

(a) *Positive*.—The official literature abounds with forecasts of the serious consequences that would follow the lapse of export controls, expressions of regret at their necessity, and assurances that they will be sparingly used. The hot-and-cold character of the language indeed helps to explain both a somewhat erratic history of administration and the ample room existing for controversy over whether it has been too lax or too strict.

The Congress itself seemed to invite leniency by first making clear in the preamble to the Second Decontrol Act that—

it is the general policy of the United States to eliminate emergency wartime control of materials except to the minimum extent necessary. * * *

The limited objectives that it then acknowledged, with manifest regret, to be proper were to (1) protect the domestic economy, (2) facilitate foreign production of materials critically needed in the United States, (3) give preference to needy countries, and (4) aid in carrying out the foreign policy of the United States.

For their part, reiterated explanations of their actions by the executive departments border on the apologetic. They have been stated broadly as a choice of alternatives, and with reference to individual commodities. The broad objectives are obvious: (1) At home to (a) stem inflation by helping to moderate the unequal struggle between demand and supply, and (b) insure the meeting of essential needs; (2) abroad, to insure equitable distribution (a) on the basis of urgency of need, and (b) for those countries who are cooperating with us in the fight for world peace and security. Rarely and without the aid of priorities, as in the case of coal, the effect of export controls in practice has been to increase exports rather than restrict them.

These principles are echoed in the phrases describing the probable plight of individual commodities in a free world market. Reinforcing bars: Applications in the second quarter of 1947 were 100 times the

export quota. Lumber: In the absence of controls, exports might be double the present rate. Petroleum: Insufficient supplies of crude oil and inadequate refining facilities are limiting factors that cannot be corrected quickly. Free exports might take several times the present availabilities. Chemicals: Important shortages have developed in some materials which had appeared in free supply at the close of the war; export prices have been ranging from two to five times the original billing prices of the manufacturers. Cereals: Urgent foreign requirements are larger and supplies smaller. Price effects are cumulative for marginal demand. Rice: World requirements in 1947 were double the total world exportable supplies, with an implication that the small availabilities of the United States would be quickly whisked away in an open struggle. Meat: Supplies will decline but not demand. Nitrogen fertilizer: This commodity is under international allocation; our 10 percent export quota is of dramatic importance in the universal struggle for stability. Our own farmers feel they could do still better with more. Potash: Prices prevailing outside the United States are much higher than those existing here. In addition to the general purposes outlined above, the Department of Agriculture stresses the need to fulfill our obligations under international allocations of food and to secure the cooperation of other nations with respect to our import requirements.

(b) *Protective*.—Another kind of purpose is recognized. This is the purpose of minimizing the disruption and personal injury that so often mar efforts to legislate economic benefits.

An administrative trust of the character discussed in this report raises problems that seldom show in the record. The war taught unforgettably that apparently simple remedies for obvious problems can have shattering effects elsewhere. The Congress has laid down, and the administration has elaborated, unexceptionable purposes for the law now on the books. The Government must also find, however, very particular ways to avoid causing any more confusion and doing any greater injury to individuals than can be helped. Otherwise, by definition, the whole effort is self-condemning. The problem is as usual one of relative values and practical administration.

Among the specific problems of detail are those of making sure that intentions to export are responsible and that serious foreign wants do not go begging merely because licenses have been issued to the wrong exporters; of assisting in the distribution of export obligations or privileges, as the case may be, among United States exporters with a minimum of discrimination; of distributing available business among old and new exporters according to tests that will maximize the use of experience with minimum discouragement to new enterprise; of making just allowance for the nation's obligation to help veterans make up for their lost years of competition. These are moral purposes, born of the need to serve practical purposes, to which the process of democratic administration gives rise.

In the effort to make its powers count while using them sparingly, a prospective exporter must usually have firm orders. In the further effort to prevent dissipation of carefully calculated quotas through nonshipment, applicants are sometimes requested to submit evidence of their ability to ship. Knowledge of the uses that exports are expected to serve in the countries of destination has always been recognized as important, and under the new foreign-aid program it

will become all-important. Such knowledge is in fact a substitute for goods themselves, in the sense that if goods are not really essential for exports, American sacrifices can be limited to the satisfaction of vital needs. A low quota will itself sometimes insure this result because of the compulsion it places upon foreign governments or nationals to make the best possible use of a barely adequate supply. But if foreign governments import luxuries, as Greece did, they may defeat this aim. Knowledge of the intended consignee, and of the uses that he customarily makes of licensed materials, is an aid to the same end.

As to the last requirement in equity, that of apportioning available business between old and new exporters, it is hard to imagine a truly satisfactory solution. In any event the issue has been rendered largely academic by the recent action of Congress in permitting the administration "to use price criteria in the licensing of exports." The reasoning followed in the absence of this privilege will be briefly noted for the record. It was held that the established exporter both could offer valuable experience and judgment to his government in distinguishing the merits of competing drafts on the American supply, and could with some justice look to his government for preferred treatment in reestablishing a business that was disrupted in the public interest in wartime. Incidentally he was also at that time the obvious man to help rebuild trade channels that partake of the nature of a natural resource.

On the other hand, it would be almost abhorrent to American tradition to deny new enterprise its chance, and a mechanical reliance on established concerns had the defect of narrowing price competition. For better or worse, the administration's disposal of this dilemma was generally to reserve an 85 percent share of export quotas to historical exporters, although the actual share has varied widely with different commodities. Each such exporter's share was determined by the extent of his participation in "normal years" (usually 1939, 1940, or 1941). The reservation was modified, usually to the benefit of newcomers, when circumstances warranted. For example, it was sometimes possible to establish quotas larger than the total exports during the base period. In any event, care was normally taken not to approve quantities less than required for minimum commercial shipments. New exporters were usually served in the order of application, and where necessary unapproved applications were carried forward into the next quota. Veterans newly entering the export field were allowed quantities 50 percent higher than those approved for nonveteran newcomers. Variations on the general policy were made to fit cases. Newcomers, for example, were given no fixed percentage of the lumber quota for the reason that destination and end-use had come to be the principal determinants in judging applications.

There have been serious loopholes in the system. Licenses have even been offered for sale through newspapers. The Office of International Trade believes that it has blocked this abuse by requiring that applicants hold firm orders at the time of application and by forbidding shipment against any license on orders received after its issuance. A close watch is necessary on the effects of this corrective action, as nothing could be more demoralizing or disruptive of confidence than commercialization of a governmental sanction—something far from unknown in practice even during the war.

The Office of International Trade announced immediately that the new policy would permit the granting of export licenses for most controlled commodities on the basis of the lowest price for comparable merchandise under similar conditions of supply. It expressed the belief, apropos of the argument cited above, that the 2 years since the end of the war had afforded exporters ample opportunity to recover their prewar trading position. This Office has always been sensitive to both the chagrin and open criticism of foreign buyers respecting the almost unconscionable premiums over domestic prices that in their opinion they were obliged to pay for some American merchandise. This stricture should in fairness be qualified. Acknowledging some spectacular instances of overpricing, exporters deny that they are representative, and comprehensive evidence is in fact hard to develop. Furthermore, the wartime effort of the United States (through the maximum export price regulation of April 26, 1942³) to keep prices low for foreign buyers of its own goods at the expense of its own nationals has not been frequent in the history of major powers. The Congress has now turned back to this policy. An important qualification as applied by the administration is that the end-use abroad must still remain a principal criterion in the licensing of many commodities, and the export fraternity seems in the main to agree.

The simple appeal of the formula "lowest price for comparable merchandise under similar conditions of supply" will not make it easy to administer. Evaluations will frequently have to be made of the cost and value of different methods of selling and of different services. A price must sometimes be put on sheer versatility, on the availability of an assortment of techniques and terms for the service of differently situated foreign customers. This problem gave serious trouble through the war. Distinctions in method will not always lend themselves to close measurement, and there will need to be sometimes wide margins of tolerance. Already some members of the industry are saying that the only practical goal will be to avoid "excessive" mark-ups, an obviously loose term precluding any near approximation of price or margin fixing. Where the spread between domestic and export prices is kept small, producers may handle directly some business that has been moving through export intermediaries. And to the extent that the new authority is effectively used, the export industry will once again point inquiringly to the numerous big margins on domestic resales and charge discrimination.

Correctness of purpose and evidence of inflation demonstrate only that the abandonment of export control while supplies are still hopelessly inadequate at any tolerable price, and in some cases at any price at all, might prove to be a costly liberation. (Exporters sometimes argue that where this is true it is true of domestic commerce as well.) They should not be allowed to gloss the fact, however, that the problems and mistakes of even export control are also costly, and that, in particular, the problem of dividing scarce supplies in the manner best calculated to compromise the long- and short-run interests of this country is a most difficult one. The committee's record should show briefly the principal control devices used by the Department of Commerce.

³ For details see Seymour Harris, *Price and Related Controls in the United States*, McGraw-Hill, 1945, p. 198.

B. MECHANICS OF CONTROL

1. *The Positive List*

Purposes are of no avail without workable standards and instruments. The centerpiece of the present system of control is the so-called Positive List of commodities for which an approved license is required. Commodities on this list presently account for about 20 percent of all exports (excluding Canada). Of this proportion, however, fuel and foodstuffs, in turn, generally account for over half. The major groups or subgroups of commodities now included in the list are as follows: Meats, edible oils and fats, butter, grains, feeds, inedible oils and fats, fibers, lumber, petroleum, iron and steel, aluminum, nonferrous metals, machinery, railway cars, coal-tar products, medicines, basic chemicals, paints, fertilizers, and soap. Exports of commodities on the Positive List are controlled for all countries except Canada.⁴ Quotas are fixed—generally on a quarterly basis—and licenses are issued upon application, up to these quotas. Supplemental quotas are granted in special instances.

The Positive List is subject to more or less continuous change. The trend was downward until October 1947, upward since then. During the third quarter freight cars were added to the list, as were petroleum fuel products, certain chemicals, casing and oil-line pipe, and seamless black pipe. Even during this resurgence, however, commodities coming into freer supply were methodically dropped. Among them were fiber insulation board, pulp wallboard, bathtubs and lavatories (upon discovery of inventories), gypsum liner paper, phosphatic fertilizer materials and sodium phosphates, and cement. In the fourth quarter the most conspicuous action was the return to the Positive List of 37 steel items.

Steel provides one of the more prominent instances of rising pressure. With the disappearance of direct and indirect military orders after VJ-day came the expected sharp drop in steel demand. It was possible to give immediate and generous expression to the then widespread desire to free commerce from numbing controls. Only a few of the more critical steel products were held under any restraint at all. These few were of the obvious type such as: Pig iron, scrap, galvanized sheets, wire and nails, tin plate, and terneplate.

Matters did not develop quite so hopefully as had been expected. One reason for this lay not so much in faulty theory as in the loss of production due to strikes and industrial friction. Inventories began to decline dangerously, and even a rise in output according to plan was not able to keep up with demand. Prior to September 1946, perhaps not more than 20 percent of steel tonnage was being controlled for export, and even this moderate proportion consisted principally of tin plate. During September of that year the restoration of 19 steel products to the Positive List brought about half of the total tonnage under limited control. (Limited control in this instance means that only the total volume of permissible exports was being fixed, and that no attempt was as yet being made to direct individual shipments.) Among the additions were concrete reinforcing bars,

⁴ Control over leaks through reexport from Canada is achieved under an implicit understanding that materials received from the United States will not move into the Canadian reexport trade. Canada has her own system of export control, and requires an export license from the United States for material which is presented for export from Canada which presumably originated in the United States.

some types of sheet and strip, the smaller structural shapes, and hot-rolled bars, black and galvanized pipe. Later in the quarter, oil country goods such as seamless and welded casing and oil-line pipe were returned to the list, although under open-end quotas which permitted the licensing of shipments where justified. These commodities have since been placed under firm quantitative ceilings. In the third quarter of 1947 steel plate was added to the list.

At the same time some of the originally tight items such as scrap and pig iron were put under closed quotas. This device permitted shipments to be confined to the most meritorious cases and only after clearance in each instance by the review committee. Even reject and off-grade steel was subjected to some restraint.

On January 1, 1948, the reversal of an originally confident policy of decontrol was well nigh completed with the return of 36 additional steel items to the Positive List. At the present time the total controlled export tonnage amounts to about 97 percent on the basis of third-quarter exports.

Actually, percentages of this kind are deceptive for the reason that they are affected so heavily by the ability of still uncontrolled portions of steel exports to rise or fall in response to external pressures. The actions taken during the third quarter of 1947 in fact did no more than arrest the increase in the total volume of exports. By way of one example, shipments to Canada, which are not under export control, amounted to nearly 9 percent of the domestic supply in the second quarter of 1946, but dropped to 6.4 percent by the fourth quarter. Even within the controlled areas, exports may rise initially because of a clustering of hardship cases or an increase in the available supply of surplus and reject materials; or exports may fall for completely fortuitous causes such as a transportation bottleneck or a sudden pinch in exportable types of steel. Even so, broad-scale data evidence the tightening effect of the new restrictions. And statistics tell only part of the story. It will be recalled that the purpose of export control is not alone to prevent an outpouring of precious commodities from our own hard-pressed economy, but also to insure the best obtainable use abroad of the materials it is found possible to ship.⁵ A significant accompaniment, therefore, of the extension of export control to a widening list of products was a more precise direction of the flow to differently situated countries and customers. The nature of the instruments employed for this purpose is one of the principal features of the record and will now be considered. The principal instruments are export quotas and licenses.

2. Quotas

Different types of quotas are used according to the scarcity of the commodity and the degree of control it is sought to impose. Quotas may be quantitative, closed, or open-end.

Quantitative quotas are the rule for most commodities in short supply. They lend themselves to subdivision by countries, end-uses, and individual exporters, and thus supply in the maximum degree available for mass treatment the quality of flexibility—more of it in fact than the actual knowledge of the administration can capitalize. For food, nitrogenous fertilizer, and tin plate, nevertheless, supplies

⁵ Question has been raised as to the wisdom of exporting millions of tons of tight steel since the war for use in rebuilding Europe's shipbuilding industries to produce ships most types of which were more economically and readily available from our own war surplus fleet.

have been allocated by country of destination. Quantitative quotas are usually determined and publicized early in the applicable quarter as an aid to trade planning. Such quotas may be modified during any quarter by the issuance of supplementary quotas.

A closed quota is virtually no quota, small parcels being doled out to meet particularly urgent foreign needs.

At the other extreme, the open-end quota is a cushioning device. Errors, the shock of sudden subjection to control, local oversupply cases in this country, are all mitigated through the device of an expansible allotment where formal criteria are met.

An ex-quota procedure was formerly used to provide for special projects or programs not readily susceptible to advance measurement, or for emergency civilian shortages in foreign countries. Its use was always guarded and has now been discontinued.

3. *Licensing*

An approved export license is necessary to shipment of any commodity on the Positive List. It is the master control. It indicates the quantity of controlled materials that may be exported by that particular licensee. It is issued in a variety of forms, depending on the degree of control needed and sought. Reversing the formula, the type of license employed is the best possible index of the degree of control exercised.

Licenses may be individual, blanket, for limited distribution, consolidated, or special. Of these the individual and consolidated licenses are the most important.

(a) *Individual*.—The individual license is the acme of control. It fixes quantity, consignor and consignee, and usually is issued for only a single commodity—occasionally for a group of related commodities. Where possible, its issuance is conditioned on intended use and therefore, within checking limits, it can control use. Its possibilities, however, far exceed present administrative performance and resources. Those possibilities are stressed at the present point of analysis primarily as a preface to later discussion of the possible usefulness of existing machinery for the new foreign-aid program. General use of individual licenses for exports would signify a bid for planning perfection and a crushing burden for industry. It can only come into play as a war or near-war measure of economic warfare.

(b) *Consolidated*.—The second most effective device is the consolidated license issued for individual countries or a group thereof. From an industry standpoint it has the more substantial merit of greatly reducing paper work. It is licensing at wholesale.

There are a number of variants, although the usual one is to permit an exporter to ship a single commodity, or related commodities, to consignees of his choice in a number of specified countries without specifying the amount to go to each—all on one piece of paper. In the case of food a single license is issued for a number of related commodities. It is valid for only one destination but does not limit the shipper to any specific list of consignees.

The price of this simplicity is the risk and frequent probability of an inequitable distribution of the benefits of American sacrifice among needy countries. It is a dangerous instrument to use for crucial commodities.

(c) *Blanket*.—The blanket license was developed for the benefit of an exporter shipping small quantities of materials to many customers in a single country. He may vary the amount intended for these several customers but their names must be specified. The materials involved are usually of a specialized nature, such as insulin, minimizing the need for end-use information.

(d) *Limited distribution*.—This license was especially designed for the convenience of producers or distributors of a single commodity shipping to many markets. It is no longer used.

(e) *Special*.—The special license is adapted to the service of special projects or programs such as, for example, are believed to facilitate foreign production of commodities needed in the United States or to meet urgent civilian needs abroad. Grants under such a certificate are not guaranteed but must fall within total export quotas for the commodities involved. Where those commodities are particularly short, a relatively short validity period is used. This limitation has the merit of forcing shipment on schedule, but results in numerous requests for time extension—sometimes to the point of administrative embarrassment.

4. *Operating problems*

The foregoing résumé hardly amounts to more than a skeleton outline in contrast with the profusion of problems with which the administrators of our broadest remaining wartime power are almost continually beset. A few of the practical variations are as follows:

(a) Scarce materials seldom lend themselves to simple and durable classification. As their status changes, the type of license fitting their condition must also change. Primarily because of its importance, steel will again serve as a useful example.

Prior to September 1946, hardly more than 20 percent of steel-export tonnage was being controlled. The few items that were controlled could be exported only against individual license. With the return of commodities to the Positive List on a scale subjecting about half the steel-export tonnage to control, resort was perforce had to the consolidated license procedure which governed only the total volume moving out of the country. So loose a control of so vital a commodity was not regarded as adequate, and according to the administration was tolerated only because of the limitations of personnel. Control by destination and use was at that time out of the question. Steel remained tight with the scarcity even increasing in some shapes and necessitating still further additions to the Positive List over time. Disparities between the buying power and relative need of applicant countries continued to widen. After October 1, 1947, with or without adequate personnel, individual licenses for steel exports were once more required. By January 1, 1948, as much as 97 percent of the outgoing tonnage was again subject to detailed, although negative, direction; that is, priorities were never applied except for rare set-asides, but approval was withheld from proposals not meeting formal criteria of need.

(b) Much has been said of the purposes or character of regulations, but little about conformance. In a number of awkward particulars, notably the effectiveness of screening and use audit, the little that can be said is spotty and disturbing. This problem is reserved for discussion within the context of the foreign-aid program. There are

ways of checking compliance within the United States, however, which while far from perfect at least prevent wholesale evasion. A monthly report is received from the Bureau of Census listing every shipment leaving the United States on an export license. This tabulation is compared with the Commerce Department's own record of validated licenses. A mere description of method claims too much, as the checking has never been systematic. This failure the Department ascribes also to lack of personnel. It advises that a staff is now being recruited to do an adequate job. Where discrepancies are found, investigation is made and compliance action taken where necessary. With strengthened personnel, more vigorous action is in prospect.

(c) The adequacy of cooperation with industry in the administration of government controls is seldom determinable. The very occasion for control is an outgrowth of pressures and types of activity not felt by the Congress to serve the public interest if left completely uninhibited in a period of general strain. On such matters differences of opinion must always be rife, as to detail perhaps more than principle. It is never possible for the sponsors of a principle to visualize all the circumstances that will make up the ensuing relationship of controllers and those controlled. It is the familiar history of such efforts that complete satisfaction on the part of business would denote administrative laxity while puritanical administration would defeat its own purpose.

In the present instance most of the relations between the Department of Commerce and the export fraternity would seem until recently at least to have been tolerable. The Department has conformed to all the usual rules in setting up export advisory committees and in consulting continuously with informed or particularly affected manufacturers and distributors. Where major changes in policy are contemplated, there is usually a period of discussion, formal and informal, with the export trade as well as with the advisory committees. Affected trades themselves are by no means always in agreement as to correct procedure and whole industries have sometimes been drawn together in the search for a consensus on disputed points.

Illustratively several conferences were held by the Department during the last quarter of 1947. The principal export control officers met with the Industry Export Advisory Committee of the Office of International Trade on October 21 in St. Louis in conjunction with the annual meeting of the National Foreign Trade Council. The advisory committee was at that time consulted on historical licensing problems and on the desirability of introducing price as a major criterion of licensing. At the last regular meeting of the committee in Washington on December 15, the problem of administering the new policy, which was then in an advanced stage, was again discussed (although not the policy itself), followed by a general public meeting at the Department of Commerce to answer questions on its application. At this meeting announcement was made of the institution of the country group R procedure. Continuous individual service is rendered to license applicants through a Special Services Section and through the field offices of the Department of Commerce.

Both the new price policy (order No. 431) and the new European licensing policy (order No. 434 of January 28) were discussed on January 29 at a meeting of exporters in New York City. These two innovations, particularly the latter, are so important to the export

trade and so vividly illustrate the need for careful trade relationships as to warrant special comment.

Order No. 434 (the so-called Country R Plan) stipulates that after March 1 no exports will be cleared to European destinations except under validated license. Actually, in a press release dated January 15 and at a meeting in the Department of Commerce auditorium, on the same day, OIT officials made it plain that commercial shipments of all commodities to Europe were intended to require individual licenses. Heretofore it was frequently possible to ship a single Positive List commodity, or related commodities, to multiple consignees in a number of specified countries under a single "consolidated" license (see p. 17), while all nonlisted commodities could move with negligible restraints. Trade complaints have been bitter, running to the following effect: (1) the administrative burden in controlling all exports will be so enormous that the authorities will inevitably bog down; (2) the red tape and cost to the exporters themselves in securing express approval for each European shipment are unreasonably burdensome; (3) doubtful cases will be relatively few in number, so sweeping a measure is not necessary to the protection of American interests, and much of the information thus expensively collected from industry will be given only perfunctory notice; (4) the administration already has abundant means of uncovering any injury to the public interest and of dealing with it directly; (5) industry cannot make commitments and undertake production with an ax hanging over every shipment; (6) the announced validity period of 90 days will in many cases be too short to permit opening of the necessary letters of credit (order No. 434 leaves a loophole in the phrase "unless otherwise stated on the face of the license," and the administration has promised to make liberal allowance for circumstances); and (7) the cost to the Government of an additional 300 licensing clerks may be out of proportion to the probable benefits. It should be added that trade officials do not question the need for close scrutiny of intended end-uses of export goods, particularly those of a critical type.

The principal reasons for the administration's abrupt action are (1) that the formalization of large-scale aid in case of approval of the prospective foreign-aid program by the Congress heightened its obligation to prevent the dissipation of dollars as well as scarce goods in random uses, and (2) that greater discrimination among countries would be needed to insure concentration on the countries and purposes for which the Congress was sanctioning a continuation of export trade under existing circumstances. Illustratively, the order contemplates governing trade relations with eastern Europe through discretionary export control rather than outright embargo.

To lessen the hardship on exporters, however, the following measures have been suggested by their representatives (administration comment is appended where offered):

1. To raise the maximum size of export package permitted under a general license from \$100 to \$200 or even \$300 on shipments to Europe. The present \$100 limit, representing an increase from \$25, was established in order 434 on January 29, 1948. (The administration's fear is that a still higher limit would render evasion of the one-package-a-month rule too attractive. However, the proposal is still under consideration.)

2. To decentralize operations over a number of the large cities for the benefit of inland exporters. (This proposal has frequently been considered. The administration regards the operating difficulties as serious, however, and its adoption seems to be doubtful.)

3. To increase the licensing staff as a means of expediting clearances. (Such expansion has been made possible by the recent provision of enlarged funds by the Congress and is already under way.)

4. To limit to short items application of the comparative price test on Europe-bound shipments offered for license. Inclusion of this test was authorized by Public Law 395 extending export controls and was implemented by order 431. (The administration points out (1) that order No. 431 in itself limited the price test to selected short supply items from the Positive List, and that such application would be extended only on specific announcement, and (2) that the price test is not applicable to the non-Positive List commodities covered under the R plan.)

This limitation of course weakens argument (1) above that a major purpose of No. 434 was to conserve dollars, and throws the brunt of defense on argument (2).

5. To permit wide use of the blanket license for commodities not on the Positive List, under which procedure shipments of a single commodity to several consignees in a single country could be bunched under a single authorization.

The policy eventuating in order 434 and provoking the present trade protest was determined at policy levels and given to the Office of International Trade for effectuation as of March 1—now less than a month away. At the moment, as evidenced by the modifications already in effect, under consideration or suggested, the requirement of individual license will probably not be applied literally. Some verbal assurances have been given the trade to this effect, resulting in a trade position that order 434 should be suspended or withdrawn until agreed modifications can be formally incorporated.

While there has apparently been some misunderstanding in the trade of the terms and significance of order 434, it has been unquestionably due in large part to the abruptness of the administration's action and the consequent lack of opportunity for adequate consultation with the trade.

As a closing note on the subject of cooperation with industry, it is understandable that meetings with industry advisory groups are much less frequent than those held by WPB during the war. One reason is that changes in policy are much less frequent. Except for tin-plating, industry committees have generally not been consulted in the establishment of quotas.

Neither exporters nor the industries producing for export are likely to be satisfied with an explanation that pressure of work and inadequate personnel prevent more frequent contact. These handicaps are serious to an overworked agency, but the danger of error through drift and misunderstanding is such nevertheless as to require priority of attention. The recent injection of a price criterion enhances the need. Numerous new distinctions in the importance and value of diverse export services must be drawn, with some of the most elusive capable of developing into the significant. Men who have spent their lives in learning how best to respect the sensitivity and practical needs

of other peoples, should be consulted as frequently as possible. At the moment such knowledge is at a premium because it is supplemented by a special ability to gage the importance of intended foreign uses of critical materials and to give the administration early signs of change in long- and short-supply situations at home.

(d) As already discussed, the new law did not extend the previous privilege of the Secretary of State to certify the need for emergency priorities subject to the disapproval of the Secretary of Commerce. Aside from principle, the point might be considered almost academic because of the negligible use of this privilege that has been made during the life of the current act. But the possession of a reserve power often makes actual use unnecessary. It is worth pointing out, however, that a large percentage of current exports is now accounted for by Government procurement. The CCC purchases food for both our own and foreign governments, while the National Military Establishment and the Bureau of Federal Supply make numerous purchases for occupied areas, the Greek-Turkish program, the post-UNRRA program, and some foreign government procurement. This, of course, is really the ultimate in control. Whatever its cost, it is the infallible method of allocation and requires recognition in any study purporting to explain the mechanics of export control. If it is not backed by domestic allocation powers, the cost effects of Government bidding in a tight market may, in some cases, be heavy.

The ease of the solution of course settles very little because of its collision with the still more highly respected principle of private trade. In the present state of the world the speed of return to private enterprise is a subject of great complexity. While appropriately mentioned under the heading of mechanics, it cannot be decided under that heading and will be examined more carefully in a separate report on public policy in relation to inflation.

C. PRESENT SCALE AND PRECISION OF CONTROL

It is obvious that even export control, virtually the last intact survivor of our once bristling economic arsenal, has sunk far from its old estate. The most interesting questions raised by that decline, after verification, are why it came to rest at the present level, how well it has succeeded in accomplishing various objectives, and whether by various tests its administration has been strict or loose. An obvious sequel is an inquiry into its adequacy for the new foreign-aid program—that is, the climactic chapter—the “pay-off.”

1. Shifting composition of the Positive List

Despite continuous shifting in the composition of the Positive List, the number of commodities actually being controlled fell rather steadily until October 1947. The number of census classifications on the Positive List declined within a year from nearly 800 to about 350. Since then, for reasons to be examined, there has been a reversal. Commodities on the Positive List at the end of last year were cited on page 15. The number so listed is now around 400 and changes in the List are not always reflected in proportion to dollar volume controlled. In July of 1947 perhaps no more than 20 percent of our

total exports by volume was subject to license. In September it was nearly 23 percent and in October only 18 percent. (Total exports in all cases include Canada which is a free market.) It is perhaps even more illuminating that the administration has studiously refrained from drawing on the power given it under the Second Decontrol Act to allocate materials for export when the need for such compulsion was attested by the Secretary of State and affirmed by the Secretary of Commerce. Some shipments for the Greek program have been expedited under this power, and some further use of it was under consideration before passage of the recent Senate Joint Resolution 167. This power survives until February 29.

2. *Results in relation to purposes*

As already explained, exports are being controlled for two clear purposes, (a) to protect the domestic economy from what at times threatened to be a boundless drain on its most critical supplies, and (b) to channel a calculated share of those exports to countries suffering extraordinarily from their lack and to those cooperating positively with our own Government in the effort to speed world reconstruction.

It is difficult to reduce evidence on such matters to quantitative terms. It is self-evident that both purposes have in some degree been realized, and that some failures were inevitable.

(a) *Protection of domestic economy.*—It need not be proved that the establishment of export quotas has retained for our own economy a larger share of the available supplies than would otherwise have been the case. That much is obvious. It is impossible, of course, to compare the pattern of actual shipments with one resulting from non-existent free trade. It will presently be shown, however, that the quantity of goods released has not prevented American standards of living from climbing to unprecedented heights. Whether the restriction has been sufficiently severe is a subjective question that depends entirely upon the standard of measurement selected. Have exports made up a larger than prewar percentage of our output, in the aggregate and by specific commodities? In the case of some commodities they have, but that test is not often exclusively urged as a measure of our obligations to a stricken civilization. Exports of different commodities have been running from a bagatelle to more than a third of supply, but lie usually in the low to medium brackets. [During 1946: meat, 5 percent of total distribution; edible fats and oils, 12.8 percent; wheat, 33.2 percent; eggs, 8 percent; agricultural equipment, 15.9 percent (in prosperous 1929, 25.1 percent); chemicals, 6.1 percent; bituminous coal, 7.7 percent (1st half of 1947, 9.6 percent); electrical machinery, 6.8 percent (1st half of 1947, 8.3 percent); freight cars, 19.5 percent (1st half of 1947, 41 percent to meet French crisis); lumber, 2.1 percent (1st half of 1947, 4.2 percent); rolled steel products, 9 percent (1st half of 1947, 10.5 percent).] What proportion of applications has been approved by number, value, and volume, of controversial commodities? It is unfortunate that such information is not available, despite the difficulties of continuous compilation. The answer to such a question would at least suggest the measure of

resistance that has been offered by the administration to pressures against our gates. It would not be conclusive, however, because of the undoubted presence of a certain amount of duplication in foreign orders. It would not be conclusive in any event because of its lack of any necessary relation to the quantities that should have been approved or rejected by qualitative tests.

The question may be asked in another way. Should a larger number of products have been controlled? The Department of Commerce would answer (a) that it had everything urgent under control, including chemicals, fuel, fertilizer, most foods, the most important metals and minerals, and freight cars, and (b) that personnel limitations forbade any more ambitious program in any event.

Whatever the merit of the defense, there are arguable omissions in the list. Capital equipment in general is still free and this category includes such critical items as agricultural equipment, industrial machinery, and mining equipment. One reason offered for the lighter touch here is that in some instances large producers through their own rationing system have prevented an undue export drain, and that even if it had the people there would be no point in redoing a job that was acceptably done by industry itself. They would not expect their own controls to produce results very different from those manifest in industry's voluntary quotas. The net of this reasoning is that the Department has concentrated on the more crucial items and takes a chance on border-line items. Incidentally, this casual way of delimiting the Department's task is an inadequate tribute to the excellent voluntary job of export restriction and allocation that many industries have done.

Failing a definitive public policy in relation to Europe that would include at least suggested standards of need for both that continent and our own—a policy that is only now taking form—the administration has made use principally of a consensus of the viewpoints and interests of its various agencies. The first consideration of many of these agencies has undoubtedly been our own need. For example, the ODT is properly solicitous over the requirements of the domestic transportation industry for equipment; the Department of Agriculture safeguards both the farmer and the consumer, after giving weight to the evidence assembled by its experienced foreign staff on the gravity of European wants; the Department of Commerce is similarly organized to fill the dual role of protecting American industry and of pleading for the reconstruction of Europe; the Department of the Interior is the guardian of domestic fuel consumers.

The case of food is so important as to be handled at the Cabinet level through a Cabinet food committee which sets up export goals. In short, a general statement of capabilities is formulated at high policy levels, while allocations within the indicated limit are made at operating levels. It is at the latter point that the review committee takes over from the advisory committee of Assistant Secretaries. For example, in connection with each month's grain allocation, the Agriculture representative on the review committee will present recommendations which reflect and are often identical with agreements reached by the subcommittee of the Cabinet food com-

mittee. The International Emergency Food Council, on which the Department of Agriculture represents this country, does not allocate on a monthly basis, but the presence of our representative can be presumed to have exercised a restraining effect on its deliberations with the result that it is usually possible for the Agriculture recommendation in the American councils to conform with the general IEFC proposals. Actually, any United States commitment made at the IEFC meetings is usually well within our capabilities and can sometimes be bettered in practice.

Somewhat similarly an intergovernmental Combined Tin Committee recommends equitable distribution of world tin supplies among tin consuming countries. Membership includes the United States, Belgium, France, the United Kingdom, China, India and Canada—the principal tin producing and consuming countries. A representative of the Department of State is one of the two Joint Secretaries. Each consuming country submits semiannual data on stocks, previous tin imports, consumption of primary tin by classes of products, tin exports, and imports and exports of products containing tin. Each producing country submits information on previous and expected production, estimated export availabilities, reexports, and stocks. Recommended allocations set limits on tin purchases by each importing country, but do not prescribe the source. Stated consumption requirements are now usually accepted as the basis of division. Recommendations are not binding until the agreement of each member government is confirmed. Decisions are effectuated without great difficulty through the respective export and import controls of participating countries. The United States position is determined through interdepartmental consultation.

Both the advisory and review committees have been particularly cautious in fixing quotas for food, petroleum, steel, and fertilizer. With the chaos in Europe vividly before them, those officials of the Government in closest touch with that continent have frequently felt that our policy with respect to these commodities has been too severe, and have therefore usually supplied the pressures for export from which compromises have ultimately been reached.

The over-all review committee was created by and functions under the authority of the Secretary of Commerce, who makes an informal delegation of his responsibility to an Assistant Secretary.

(b) *Europe's share of permitted exports.*—Neither is the evidence conclusive on whether an appropriate share of total exports has been reserved for the struggling peoples of Europe. Has the Department of Commerce effectively used its power to direct exports? To what extent have controls succeeded in modifying natural pressures? There is now almost an inverse relation between urgency of need and ability to buy.

A prima facie answer is that for 75 percent of the commodities under control as of October 2, there is positive control by destinations in the form of a quota ceiling for each country. Actually, this power is only negative. The Department does not really direct exports to particular countries, it merely prevents them from going to other countries. It could not do otherwise without complete authority over acceptance

and placement of orders. In a way, the power to select from among competing applications is enough, even though it works deviously to an end that Congress might not countenance directly; namely, positive allocation. The reason of course is that the quotas of items in short supply are usually oversubscribed for all countries, thus retrieving discretion for the Department to determine the final pattern.

The first quarterly report under the Second Decontrol Act also purports to offer evidence on this point in a chart showing that approximately 70 percent of controlled exports went to Europe in July 1947, as against a bare 27 percent of uncontrolled exports. Such figures, however, are too gross to be very significant. For example, coal and food are controlled and would add immensely to the European share. But coal is not normally exported from this country at all, wheat is procured by the CCC, the availability of both is determined at high levels and by allocation rather than through an orderly screening process, and their inclusion distorts the comparison. Third-quarter data now available show that although 61 percent of controlled items went to western Europe as against only 32 percent of uncontrolled items, the omission of food and coal would reduce the proportion to 48 percent and 29.3 percent, respectively. Although disregarding the distinction in question, the following short table is informative:

Distribution of controlled and uncontrolled United States exports by area of destination (excluding Canada)

Area	Total	Percent of total	
		Controlled	Uncontrolled
Western Europe.....	39.5	61.1	32.5
Latin America.....	33.0	20.6	37.0
Asia.....	14.1	9.0	15.8
Other.....	13.4	9.3	14.6

What is obviously needed, at least in the first instance, is a detailed break-down of total exports by commodities and destinations. This, the Office of International Trade has also attempted in the following table showing total exports and exports to the 16 countries participating in the foreign-aid program by major commodity groups over the period January to June 1947. This table shows that about 33 percent of our total export shipments (including Canada) during those months went to the CEEC countries. In contrast, the proportion of foodstuffs similarly destined was 50 percent; of grains, nearly the same; of meats, dairy products, and dried eggs, 60.3 percent; of coal and related fuels, nearly 52 percent; of petroleum and its products, 41 percent; of merchant vessels, 60 percent, and of freight cars in excess of 10 tons capacity, 94 percent; of iron and steel mill products, however, only 25 percent, and of advanced iron and steel manufactures only 12 percent; of chemicals and related products, only 25 percent; of various types of machinery, relatively small amounts ranging from 10 to 20 percent. These figures, however, include shipments to Canada which are free of control.

United States exports of domestic merchandise, January to June 1947 at annual rate and estimates for 1948, by commodity groups

[In billions of dollars]

Commodity group	Total, to all areas		To CEEC countries		To non-CEEC countries	
	January-June 1947 (at annual rates)	1948 estimate ¹	January-June 1947 (at annual rates)	1948 estimate ^{1 2}	January-June 1947 (at annual rates)	1948 estimate ¹
Foodstuffs.....	2.5	2.4	1.2	1.4	1.3	1.0
Animal and animal products, inedible.....	.2	.2	.1	.1	.1	.1
Vegetable products, inedible (except fiber and wood).....	.8	.7	.4	.4	.4	.3
Textile fiber and manufactures.....	2.1	1.7	.6	.6	1.5	1.1
Wood and paper.....	.4	.3	.1	.1	.3	.2
Nonmetallic minerals.....	1.4	1.6	.6	.9	.8	.7
Metals and manufactures.....	1.3	1.3	.3	.4	1.0	.9
Machinery and vehicles.....	4.7	4.3	1.3	1.6	3.4	2.7
Chemicals and related products.....	.7	.9	.2	.4	.5	.5
Miscellaneous.....	.8	.8	.1	.1	.7	.7
Total.....	14.9	14.2	4.9	6.0	10.0	8.2

¹ It is assumed that means will be found to finance the entire balance of payments deficit of visible and invisible trade of the CEEC countries amounting to 8.3 billion dollars, as outlined in the Paris report.

² On assumption that requirements as submitted by the CEEC countries would be met in full.

Source: Department of Commerce, November 1947.

Attention is called to the fact that these broad percentages include shipments to Russia. While these shipments seldom constitute a very substantial portion of exports, they do include a number of critical products. Some of the more important values involved are shown in the following table:

United States exports to U. S. S. R., by commodity group, January 1946 to March 1947

[Value in thousands of dollars]

	January-December 1946	January-March 1947
Agricultural exports.....	113,374	3,303
Rubber and manufactures.....	4,671	198
Petroleum and products.....	5,973	232
Iron and steel mill products.....	14,581	6,148
Advanced manufactures of iron and steel.....	1,605	264
Copper and brass.....	5,655	395
Electrical apparatus.....	44,056	5,857
Industrial machinery.....	115,943	23,616
Engines, turbines, etc.....	35,977	1,840
Construction and conveying machinery.....	5,373	2,033
Mining, well, and pumping machinery.....	13,856	5,496
Metal-working machinery.....	41,307	7,253
Textile, sewing, and shoe machinery.....	693	578
Other industrial machinery.....	18,737	6,416
Agricultural machinery.....	1,622	1,097
Tractors.....	817	739
Automobiles, parts, accessories, and service equipment.....	3,856	744
Motortrucks.....	842	502
Other vehicles.....	322	73
Merchant vessels.....	1,939	652
Freight cars, over 10-ton capacity.....	486	
Chemicals and related products.....	1,947	1,374
Medicinal and pharmaceutical preparations.....	1,116	62
Industrial chemicals.....	245	65
Scientific and professional instruments.....	2,871	483

Source: Special Programs Division, Areas Branch, Office of International Trade, Department of Commerce, June 1947.

But what do these figures mean? Again, there is no way of guessing corresponding results in the absence of control. Nor would it be too helpful to compare them with prewar takings either absolutely or percentage-wise. Before the war, Europe was a going concern. What relation do they bear to the needs of a prostrate Europe? That depends on the standard of living and reconstruction goals that this country concedes to Europe as a valid claim on its own abundance. These hypothetical questions open the way to possibly the most practical problem that the projected Foreign Aid Administration will have to face, namely, the development of dissimilar standards for Europe's future and our own, against which our prospective grants of money and materials will be continually tested.

D. HOW MUCH SHOULD BE EXPORTED?

The foregoing résumé does no more than indicate that the administration has succeeded in stemming a considerable part of the flow of goods from this country that would have occurred in a free market, and that much has been done to direct to Europe a considerable part of such flow as has been permitted. It gives few clues as to whether the proportions in either case have been correct. The uselessness of the record on that point is of great significance. The determination of correct proportions involves questions of public policy that the highest authorities in the land, including the Congress, can answer only with misgivings. The following are at least suggestive, and can be read both as a test of past performances and as a preview of the quandary facing administrators of the European Recovery Program:

1. Significance of the European struggle to the United States

Much depends upon final resolution of the American attitude toward the European struggle. Herewith are two possible viewpoints dictating completely different policies:

(a) *If great significance is assumed.*—The CEEC organization may come to be the principal instrument of our own protection against forces that are really directed against this country and that cannot reach us until the ideas and hopes symbolized by CEEC are destroyed. In that case, the investment we have been making and are likely to make against a powerful menace is very small. Limited aid to harassed and despairing friends may be the most practical defense we are able to make, but agreement on significance would make agreement on details much easier. In this viewpoint we would be diverting the edge of our abundance not merely to heal a tortured continent but to sustain the courage and faith of other peoples in resisting pressures directed fundamentally against ourselves. We would also recognize, as we probably do now, that the price to be paid would not lie so much in impairment of our standard of living as in the inflationary consequences of trying to aid Europe and maintain phenomenally high domestic standards at the same time. We might find a solution to the dilemma in the reimposition of domestic controls over prices and consumption, but such a solution would seem more dangerous to many of our people than foreign pressure, and in any event there are reasonable doubts about its feasibility at this stage of our return to free enterprise.

(b) *If little significance is assumed.*—Many analysts would not be willing to accept the foregoing diagnosis. Some might not regard the threat to western Europe as capable of being transmitted so easily to us, while a few would question our ability to save Europe at all. They would ask: Are we merely supporting a dead weight or building to a dream world that does not correspond to Europe's possibilities and resources? Or even this: Would Europe not have sagged again even without last winter's disasters? And, on the political side: Is not the trouble at bottom that the peoples of Europe have never learned to live together, that the centuries are too much for them, that their hates and fears are still more compelling than their cultures; is not the East-West cleavage fatal economically to both? Or, as to method: Do we really know what is required for self-renewing stability? Is it attainable at all, can it be provided from without? Does not even Christian or humanitarian duty merely require that we provide subsistence rather than try to remake strange economies in the image of our own? In other words, given food, some other elementary provisions, and such industrial goods as are in reasonably good supply, is it not up to Europe to work out her own place in the world?

Obviously, such questions will be answered only with great difficulty and through continuing study at top levels of the economic problems of the two continents. Against indecision on this scale, whether too much or too little was given during the past year and a half is not an answerable question. Whether we gave the right things to the right people for the right purpose is another matter. Russia and the satellite states are involved in this question, too.

2. *Objectives without specifications*

If the first view should happen to be the one selected, it will require management of the highest order to put the right kind and amount of support behind CEEC's avowed plan to reach certain declared targets for food and coal, make maximum use of existing productive capacity and manpower, modernize equipment and transport, achieve internal financial monetary and economic stability while maintaining high employment, reduce tariffs and other trade barriers, remove obstacles to the free movement of peoples, develop common resources in partnership, all to the end of building a self-sustaining and confident Europe. These are bold projects individually and in the aggregate, and, failing specifications obviously lacking, it is again useless to inquire whether too much or too little has been exported during the past year and a half.

3. *Tests of a "proper" export allowance*

What tests are to be used to determine proper export allowances, particularly to the 16 CEEC countries and western Germany? How are weights to be found for each of such abstractions as the following in any final formula?

- (1) Domestic needs.
- (2) Needs for European reconstruction and solvency. (Contrasting viewpoints already cited.)
- (3) The importance of immediate cultivation of non-European markets for future American trade.
- (4) The importance, even from a world standpoint, of holding domestic inflation in check.

(5) Avoidance of extensive domestic controls over production and distribution.

(6) The imprudence either of underwriting the separate European economies or of dictating to their governments.

(7) Containment of the ideological and political offensives of foreign powers.

(8) Unwelcome burden of detailed administrative responsibility or of a top-heavy new bureaucracy.

Some of the foregoing goals are flatly contradictory. A few make great generosity seem merely shrewd, while others warrant the utmost caution. The problem of giving them value is worth illustrating.

(1) What are America's needs? During the thirties the average American would have settled in a flash for full employment, high production, and a high standard of living, with equitable distribution of national income and spending power, high wages, high profits, and job security. Now he has them, except for the last, even if at the cost of inflation. During a period of phenomenally high exports that is not likely to be exceeded even under the foreign-aid program, he has had them. In 1947 per capita consumption of meat was 123 percent of the 1935-39 average; of eggs, 127 percent; of turkey, 158 percent; of milk, 119 percent; of fresh fruits, 107 percent, and of canned fruits, 128 percent; of fresh vegetables, 111 percent, and of canned vegetables, 141 percent; of wheat, 98 percent; and of coffee, 129 percent—of all foodstuffs, about 125 percent. Obviously such benefits are not unqualified. Some original inequalities in income and welfare have given way to others, savings have suffered a grievous depreciation in value, inflation is serious and may still become explosive, prosperity as usual is masking strain and danger. But the point that impresses is the lack of any absolute quality in "need." With less, if equitably distributed, American health and well-being would not be impaired. With more, the feeling of need for protection would not change. "How much can we spare" is a question that in its own terms can never be answered. A serious answer that gets us nowhere is that we can spare little and Europe needs everything. Few countries in the world today are sparing physical goods; some of them are sharing deficits.

(2) How much we can give without inviting intolerable inflation is a far more formidable question. That foreign aid is not responsible for our present insecurity is widely agreed. It shares in that responsibility by little more than the extent of its contribution to total demand, which except in the case of a few commodities is modest. But those few commodities, notably cereals, steel, fertilizer, and petroleum could be strategic, particularly where their withdrawal from the domestic supply results in price increases of a type provoking new wage demands. Such effects reach far into our economy. And, as Americans, we tend to regard the foreign demand as marginal, and therefore as generating a greater than proportional degree of pressure. Finally, in character the present export drain resembles those types of domestic expansion which cannot come into production for some time. In many respects the cost of foreign aid is to be measured principally in inflation rather than physical privation.

Except for the inflationary aspect, it is doubtful if we could give Europe more than she could use to our own advantage—not today's advantage but that of future years—if it would expedite her recovery

under a well-ordered plan and if we believe that American prosperity cannot continue indefinitely in an unstable world. The principle is the same as that influencing investment generally—immediate sacrifice for future benefit. The inflationary hazard spoils the analogy. Aid to the extent that it could be effectively used would almost certainly require the reimposition of controls over price, industrial and consumer distribution, and over the money supply and its use. It is recognized that even our self-generated pressures have posed embarrassing questions for us in this regard, but that fact is not an argument for taking the last step. If the thesis should prevail that western Europe is taking the brunt of an assault on American ideals and American security—one of the several eligible views of the aid program as previously listed—this objection would in turn lose much of its force. The solution lies somewhere between two extremes: (a) On political grounds the CEEC countries are in fact sheltering the United States, and on moral grounds a small cut in the sometimes pitiful rations of their people is much more cruel than any probable amount of sacrifice at home, versus (b) inflation and reaction in the United States could endanger recovery everywhere and the cost of a return to drastic wartime controls is too high.

(3) Examples could be added as to the kind of decisions that are really involved in fixing export quotas. Neither the Department of Commerce nor its interdepartmental advisory committees have made such decisions based on policy, nor were they in any position to make them. The Congress had given no mandate to make them. There are few present governmental functions in which so large a concept as the rebuilding of a foreign continent at the risk of domestic inflation can be properly planned, and the custody of what was regarded as a dying power is not one of them.

4. *Basis of administrative decisions*

(a) *Official standards.*—The story of what has happened is told plainly enough on page 5 of the First Quarterly Report under the Second Decontrol Act, setting forth the adverse domestic impacts of uncontrolled exports. The phrases are all general:

(1) The supply of many industrial commodities * * * would be drained off in excessive amounts.

(2) Unlimited export of agricultural materials * * * would reduce the supply of food.

(3) Unrestricted shipments of certain commodities * * * might endanger health and welfare.

(4) Unrestricted competition * * * would fan the flames of inflation.

There are no real tests here, only apprehension. Perhaps this summary passage was not the place for disclosure of formulas, but all passages in all reports are short on detail in relation to the methods used of determining equity. Within the Department's limited mandate all methods had to be arbitrary, compounded of dissension over the significance to America of the European struggle, political pressure, fear of inflation, haziness as to the breaking point of European morale in commodity terms, the changing supply outlook at home, the instinctive desire to protect future export markets, and the inadequate data with which to make such measurements even where agreement was possible on the objectives to be measured.

(b) *Psychological hazards.*—The question has been raised in and out of Congress as to whether past faults in the administration of

export controls have been due primarily to lack of power or to failure to use power already granted. As already seen, the objectives of our export policy have not been sufficiently detailed to permit a good definition of "faults," in the sense of whether too much or too little was licensed. A realistic answer to this question must also consider the circumstances under which existing authority was exercised.

It will be only too well remembered that the exigencies of war brought about a very heavy concentration of authority in a few administrative agencies. These agencies were permitted to override and supersede the permanent departments of the Government in many ways that would not be tolerated in normal times. At the end of the shooting phase of the war, the urge to return to normal practice was powerful and found many forms of expression. One of them, it may be assumed, was the firm intention of the Congress to obliterate as rapidly as possible both the substance and symbols of the great wartime structure it had created. Such agencies as the War Production Board (and its successor the Civilian Production Administration), the War Food Administration and the Federal Economic Administration were particularly conspicuous in this list. They were abolished and their waning powers turned over to permanent agencies. It was unquestionably the intent of the Congress at that time and through these actions to speed the demise of these powers. In effect they were turned over to the departments for interment, and it does not seem to have been intended that they should survive the war for any but perfunctory lengths of time. The fact that real duties still remained under them could not obscure the fact that the pull was down hill and toward extinction. It would be hardly fair to require morale of administrative personnel working under such conditions, and it also followed as a matter of course that most reasonable doubts on the part of administrative policymakers were resolved against action.

Atmosphere therefore had a great deal to do with administration of export control over the past year and a half. Perhaps the most obvious sign of congressional intentions was the reduction in export-control personnel to 124 persons by last July. It has already been noticed that in steel one of the consequences of diminishing interest was to reduce control to a general restraint on over-all exports rather than certification of individual shipments by destination and use. With existing personnel, control in such detail was probably out of the question, and it was probably also true that the Department for lack of personnel removed some commodities from the Positive List that it would have preferred to retain.

Not until the Second Decontrol Act was passed in the middle of last July did the concept of supporting foreign policy begin to make headway against prevailing desires to remove the last remnants of wartime restraint. Up to then, right or wrong, the Department seemed to regard itself as continuously on the defensive. Perhaps the issue of shipping petroleum to Russia and the early rumblings of the Marshall plan helped to mark the turn, although the reversal was still largely a matter of attitude rather than consequence, because of lack of funds. Naturally, uncertainty as to whether the act would be extended at all remained a depressing factor. The attitude of the Department at present, with respect both to restraint of over-all exports and the routing of those permitted, is more aggressive than heretofore.

Indeed, some of the present actions seem to be based on a mere anticipation of additional funds.

All told, the scale and precision of export control since the war are not equal to the requirements of a large-scale foreign-aid program. The reasons have been the uncertain and largely negative atmosphere in which the work was done and the lack of clear intentions at high levels as to the ultimate shape of relations between this country and Europe. This report, therefore, is much more than a criticism of the administration. There has been little desire since VJ-day to equip the administration with either directives or resources with which to do a truly analytical job. The nature of the criticism, however, is the first long shadow of a methodical foreign-aid program such as the Congress is now considering.

III. THE PROBLEM OF LOCATING SCREENING AND LICENSING FUNCTIONS UNDER THE FOREIGN-AID PROGRAM

A. ORIGIN AND DESCRIPTION OF SCREENING

Screening is a term carried over from the war. The process to which it then referred was made up of several parts—(1) a determination of the use to which requested materials were to be put, (2) an appraisal of the importance of that use to the furtherance of the war, or the support of essential civilian activities, (3) an estimate of the minimum quantities required for the purpose, and (4) the feasibility of substituting less critical and more abundant materials. The functions here described were imperfectly performed even during the war. This was particularly the case with respect to the requirements of foreign countries, which frequently could not be audited in sufficient detail, and action on which was sometimes intertwined with political considerations or negotiated on a quid pro quo basis.

Through this decade of shortages screening has always been important. During the last 2 years of effort to extricate ourselves from controls neither informational resources, the state of European programing, the prevailing degree of political support, nor funds has permitted an adequate performance. The Office of International Trade has maintained a correct formal attitude toward screening. It invariably speaks of its functions as dual—(1) to safeguard the American economy from an excessive outflow of scarce materials (negative control) and (2) to insure effective use abroad of the materials that are released (positive control). Actually, as will be shown below, its discharge of the second obligation has been spotty and opportunistic.

With the advent of the foreign-aid program, screening reacquired much of its wartime importance and must reacquire effectiveness. The United States has requested the 16 cooperating countries of western Europe to take all steps possible through self-aid and mutual aid to restore self-sufficiency. Devastation vastly increased the relative importance of industries, products, and services. The corollary of this is that some uses must be given preference over others until general equilibrium is more nearly restored. The significance of that corollary to the United States is that goods needed at home can be sacrificed to others only for the most strategic purposes. At some point in this process a contradiction to another major policy of the

United States is approached. We have bound ourselves not to interfere in the internal affairs of other nations. The distinction is delicate and must be drawn with the common consent of both giving and receiving countries. The reconciliation at this end must be sought through the formula that cooperating countries are free to work out their own destiny, but that sacrifice should not be asked of us to support unproductive uses. Obviously determination of the relative productivity of uses is one of the major problems of the cooperative effort.

B. POSTWAR DEVELOPMENTS

As explained above, screening has been continued since the war in form, but erratically in fact. It is more practicable for some commodities than others. Food is such a case, and incidentally accounts for about 30 percent of the total number of controlled commodity classifications (43.3 percent by dollar value, based on third quarter figures). Allocations of food and agricultural supplies have been continued on a country-by-country basis, and licenses validated against the resulting quotas. During the third quarter of 1947 country quotas governed the licensing of all foods, inedible fats and oils, soaps, agricultural supply commodities, lumber, coal, tin plate, streptomycin, nitrogenous fertilizer materials, and approximately half the chemicals appearing on the Positive List. Where licenses were issued for other commodities on a petition or special urgency basis, the effect was of course equivalent to that of an allocation for end-use. Such cases, however, did not bulk large in the aggregate. Specialty products are by nature rather fully exposed to the screening process. It has been possible, for example, to limit the export use of tin plate almost exclusively to food packing. Plate for Norway and France, for example, is checked against the bills of materials for ships being built in those countries, and is formally scheduled on United States mills. For chemicals, evidence of need has varied, although the Chemical Division of the Office of International Trade has frequently found it possible to examine requests by purpose on an order-by-order basis. Coal, of course, and particularly the scarcer grades, has been rationed with particular care, although this care has not obviated complaints about the receipt in foreign ports of wrong types of coal for the intended purposes. A license does not insure performance of contract. The growing shortage of petroleum has likewise been acknowledged by the reimposition of stringent export controls. Individual licenses now cover specific quantities to individual consignees in each country.

During the postwar years genuine end-use control was extensively sacrificed by the shift from individual to consolidated licenses, and from licenses by countries to a general consolidated license (see p. 17). An account of the return to individual licenses in the case of steel has been given elsewhere. Generally speaking, control by destination and use declined with the decline in administrative personnel. The philosophy of the hour rather than a change in concept or need for a moderate tightening of traffic control undoubtedly left its mark on the record. With a return to individual licensing of steel shipments, however, and the prospective strengthening of control over a few other commodities, the work burden of the Office of International Trade has been increasing. This growth is evidenced in part by the recent

increase in number of applications, but results principally from the rising emphasis on screening and on the distribution of quotas by destination, and from the return of end-use to major importance as a licensing criterion.

License applications were received in 1947 as follows:

January.....	60, 000	July.....	27, 000
February.....	34, 000	August.....	19, 000
March.....	34, 000	September.....	36, 000
April.....	26, 000	October.....	27, 000
May.....	20, 000	November.....	21, 000
June.....	27, 000	December.....	33, 000

The question is not merely one of attitude, however. Criteria of need cannot be made more stringent without personnel for their administration. The desirability of closer screening will be subject to another review at the hands of the Congress on the occasion of the next request for appropriations. This is one of the less apparent costs of a foreign-aid program.

C. DEFECTS OF THE PRESENT PROCESS

The Office of International Trade speaks frequently of the extent to which it has succeeded in establishing country-by-country quotas for short materials. A country quota is not necessarily equivalent to allocation by end-use. Quotas may be determined by such loose criteria as historical takings, or the plans or hopes of sponsoring governments. The Office may justly claim, as it does, that for 75 percent of the commodities under control there is positive control by destination in the form of a quota ceiling for each country; or that two-thirds of the controlled exports move to Europe as against only one-third of the commodities not under control. Supplies may still be dissipated in petty secondary or political use. Obviously the most exacting type of control is that which combines country quotas with licensing by end-use. The foreign-aid program imposes new strains on the tightest commodities, requires an over-all European plan as the basis for mutual aid, and is to be financed largely by the United States. As previously stated, it calls for much more screening in the original sense than is now being accomplished. Depending on the turn taken by public policy, reexports to Russia and satellites may have to be screened in a way that suggests tighter licensing.

The present deficiencies are due largely to inadequate personnel, lack of funds, lack of purpose on the part of the Government generally, lack of explicit objectives, and inadequate channels of information. The OIT uses what resources it has. It has its own Commodity and Area Branches, and solicits special information from United States embassies abroad and from foreign embassies and missions in the United States. These agencies also suffer, however, from excessive work loads, and may rarely regard this duty as a major claim on their time. As concerns the positive channeling of exports rather than restrictive or negative control, the OIT is operating a beggar service. The positive function lacks status and authority. The numerous and more fundamental controls with which it was interlocked during the war have disappeared and the feeder network of figures and expert analyses for its screening functions (except for Europe where one had to be built) has deteriorated. It is an appendix from which the body

has been removed. It will be remembered, of course, that the parent Department of Commerce (through its Office of Materials Distribution) has no actual power to give priority assistance to export procurement except in rare instances, and that even the seldom-used power of the Secretary of State to certify deserving cases for allocation will lapse on February 29. The present analysis, however, is not concerned so much with the power to force—which is discussed elsewhere—as with the ability to select from among the great variety of applications in filling quotas. The information in its possession is not adequate to that purpose.

Part of the cure would be supplied by congressional recognition and support of a major program addressed expressly to world reconstruction. Another part would be supplied by the establishment of a Reconstruction Agency to administer that program. Responsibility for information on the relative urgency of western Europe's needs, and those of other areas eventually, will properly devolve on that Agency, assisted by the Department of State. The new body will have its own foreign organization, replete with ties to European governments, to any central planning and administrative body that may be set up by those governments, and to the regular Foreign Service of the United States.

D. NEW DUTIES UNDER ANY FOREIGN AID PROGRAM

The question remains of the place for the present OIT functions in the new structure. The export limiting or negative function will still be needed, subject to the determinations of present or new allocating authorities, as the case may be. The responsible agency will have to participate in the allocating process. It must improve the present compliance and enforcement mechanisms and gear them closely to the plans of the new agency. There will need to be a more thorough post-audit of individual export shipments against approved licenses. There will probably have to be some further return from consolidated to individual licenses in the case of at least a few commodities, to effectuate the agreements of the new agency with foreign authorities. And one new or greatly expanded duty is still to be located. While American dollars have been carrying much of the financial burden in the past, under the new program a larger proportion of the new dollars is likely to be allotted to agreed projects and production schedules. It is to be hoped that most export commodities will remain relatively free. Free commodities must also be financed, however, and it will be just as important to prevent the dissipation of dollars in secondary uses as of goods, including dollars held or acquired by cooperating countries that will be released by our advances.

E. WHERE SHOULD THE OFFICE OF INTERNATIONAL TRADE BE LOCATED?

In this new organizational complex, where will the useful OIT best fit? Much depends on the final decision of the Congress regarding the new organization itself, but a necessary first step in reasoning is to examine the relationship of OIT's present functions under the foreign-aid program to the probable main functions of the program itself. Out of many, the latter seems likely to include (1) allocation or acceptance of allocations (out of United States supplies), (2) division of

permitted exports between CEEC, other aid programs and commercial exports to other countries, (3) cooperation with European governments in planning and administering reconstruction and in reaching agreement on commodities required (the formal idiom for screening), (4) post-audit of use and results, and (5) financing. Those of OIT, as has just been seen, are now (a) a general watching brief over all exports, (b) re-control of those threatening injury to the domestic economy, (c) participation in export programming councils, and (d) coordination of actual exports to agreed United States programs. Which of the latter provide the closest fit to which of the former?

1. Permanent and emergency functions distinguished

To begin with, OIT cannot be dealt with as a unit. Within the Department of Commerce it has many duties. The Secretary of Commerce must deal with the problem of both foreign and domestic commerce. The statutes provide for a Bureau of Foreign and Domestic Commerce in his Department. For operating purposes it is now divided into six offices, of which one of the most important is the OIT. It is difficult in fact to segregate the functions of the office which pertain to export control and foreign aid from other functions, as they are mutually supporting and properly so. Nevertheless the control and aid duties are recent acquisitions. The first fell to Commerce in the dismantling of the war agencies; the second is implicit in the task of limiting exports to urgent purposes and has grown with the crystallization of a formal aid program. Recently added activities can presumably be subtracted again if the logic of new developments is found to require it.

The OIT had four branches—Commodities, Areas, Export Supply, and Commercial Intelligence. The bulk of the recently imported work was done in the Export Supply Branch, which subdivided it for licensing, programming, procedures, and special services. "Special services" included receipt and distribution of applications for export licenses. Both the Branch and its divisions drew heavily upon the knowledge and opinion of the coordinate branches, for obvious reasons. The dependence was so great in fact as to lead very recently to a regrouping which put the estimating of foreign requirements under the Areas Branch and export licensing under the Commodities Branch. A new Export Branch replaced the thus attenuated Export Supply Branch and now directs the flow of license applications, control procedure, legal analysis, and compliance. In both the old and new organizations the Programming Unit analyzed foreign requirements and when necessary provided representation for the Director of OIT on the review committee.

From this background the analysis can return to the problem of how most effectively to use OIT's present export control facilities in the new setting. At no time will any question be raised concerning traditional services of the Office. With or without a foreign aid program, and irrespective of the final shape of the new foreign aid organization, the responsibilities of the Secretary of Commerce both in his titular role and as a principal officer of the Government will be increasingly onerous. An Office of International Trade will still be needed in some form satisfactory to himself. Only the location of its inherited export control functions can properly be regarded as at issue.

2. *Changing importance of the several emergency functions*

Under any plan of foreign aid organization, present OIT functions (a) export watching brief, and (b) reconrol where necessary, will have greater importance. Functions (c) participation in export programing councils, and (d) coordination of shipments and programs, will have vastly increased importance. "Export programing" is an inadequate reference to the core of the new task, that of helping Europe to shape and equip its new economy along rational and integrated lines that do not waste American aid. The stress on coordination means simply that with the further return to target as distinguished from area allocations, it seems inevitable that greater care will be needed to make sure that the right exports go to the right places at the right time. The fact that this cannot be done through simple allocations places a greater load on the licensing mechanism. Under any present or prospective law export control will remain largely negative, with positive discretion available to the authorities only to approve shipments formally identified with the program, or as fortuitiously provided by an excess of export applications over quotas and by the authority delegated to the departments under Public Law 395 to negotiate industry agreements.

3. *Location of emergency functions under major alternatives*

At every turn it is seen that the physical attachment of both positive and negative export control will be heavily influenced by the as yet undetermined shape of the new foreign aid organization.

The following alternatives are still open:

(a) *Under H. R. 4579.*—If all powers (including those of protecting the domestic economy, negotiation with domestic industries, and management of foreign aid) are concentrated in an agency dedicated to foreign aid, as they are in H. R. 4579 (Mr. Herter's bill drawn along the lines of the select committee's preliminary report No. 8⁶), there would be little sense in keeping the physical administration of exports in the Department of Commerce. The new Foreign Reconstruction Authority would be pointlessly handicapped if numerous specific export licenses conforming to its plans had to be arranged through interagency action—or if it could not directly supervise the channeling of country quotas determined by itself to purposes that, in consultation with its overseas counterparts, it had itself approved—or if denied the benefit of an experience in programing and screening of foreign needs that has been accumulated through several years of war and peace.

Theoretically the operating unit could remain in the Department of Commerce subject to directives of the controlling agency, but nearly all of its relationships would then be external. Some concern over combining the administration of powers to protect the domestic economy and to rebuild foreign economies might suggest this much detachment as a gesture of reconciliation, but it could be no more than that. It would not provide sound administration.

If the new agency should by chance be given the character of a world stabilizing authority rather than that of foreign claimant, obligated under law to withhold from America as well as take away from America as the specifications for long-run security might seem to

⁶ Proposed Principles and Organization for any Program of Foreign Aid.

require, the last reason for physical separation of OIT would disappear. The functions and such personnel as were useful in the OIT would be transferred to the new agency.

(b) *Under H. R. 4840.*—If the administration's plan of organization were adopted, however, as suggested in H. R. 4840 (President's bill and message),⁷ the problem of placing export control would be more difficult. For then major foreign aid functions (1) and (2), those of export and international allocations, would be lodged with existing agencies operating through a committee network, while (3) joint programming of European recovery, (4) audit of use and results, and (5) financing, would be the responsibility of a new agency. The joint programming itself is not clearly assigned by the bill. To which should the appropriate OIT units and functions be attached, to the existing agencies handling (1) and (2) or to the new handling (3), (4), and (5)? For the purpose of this question they divide principally into (a) operations (including control over the flow of applications, processing and licensing, compliance and legal counsel), and (b) analysis of foreign requirements, screening and programming.

(1) For the purpose of limiting exports: Confinement of the total shipments within the limits of allocations and quotas for the purpose of protecting the domestic economy is an intrinsic part of the allocation process. But the selective release of individual shipments through licensing is necessary to the carrying out of reconstruction plans. Should the operations essential to both therefore stay with the allocating authorities or go to the recovery agency?

The safeguarding of essential supplies for home use against the proper enthusiasm and energy of foreign recovery officers will not always be easy, and on that ground it is recognized that export control administration should be held close to the source of protective policy. The licensing unit in particular is the watchdog of policy. But the matching of possibly thousands of separate export authorizations to the rated needs of even one continent, as in the President's bill, will require continuous operating contact. The compromise of a resort to directives from the new agency to the old might be used. But this is still subject to the defects cited above. In fact, directives can more easily be made to run the other way. Directives in any case are general. Effective control must be specific and continuous.

Schemes are conceivable which would automatically identify all foreign-aid shipments to the producer and through him to the control office, in which case the difficulties of governing through interagency directives might not be insuperable. Nevertheless, three-fourths of all controlled exports now go to Europe, largely to CEEC countries, so that even if smooth teamwork should prove attainable, a reasonable question remains as to why the chance of a contrary result should be taken. The goal of an improved integration of European resources is not merely one for masterful action. In the case of steel, for example, how much export from participating to nonparticipating countries is needed to accomplish the procurement of essential imports; or to maintain skeleton organizations for eventual expansion to provide European specialties? Conversely, how much interchange of steel in various states of fabrication, as among the participating countries

⁷ Outline of European Recovery Program. Draft Legislation and Background Information. Senate Foreign Relations Committee print.

themselves, should be urged in lieu of overly ambitious plans for self-sufficiency? Furthermore, the controlled portion of exports to Europe has now been expanded to cover all exports to Europe, so that licensing is more closely than ever related to foreign-aid programs. Should the President's basic plan of organization (H. R. 4840) or a near variant thereof be adopted by the Congress, the difficulties of gearing shipments to purposes are greater than those of securing observance of over-all export limits. If this reasoning is correct, the administrative elements of OIT's present export control should be shifted to the new agency, subject to instruction from the allocating authorities with respect to export availabilities. It is this reasoning which leads the committee to secure such a location of export controls by law (H. R. 4579).

(2) For the purpose of programing exports: What conclusion can be reached with respect to OIT's export programing and screening activities? Under the President's bill responsibility for fixing export availabilities remains with the permanent agencies. It is at present delegated by the President to the Secretary of Commerce, who discharges it with the aid of departmental committees appointed by himself, and the supposition is made here that this procedure would be continued in effect. The Secretary would have greater need of his own programing service than ever. The simple but vital difference would be that his analytical staff would become a reviewing staff for the foreign programs for European recovery which the President's bill would presumably have worked out jointly by the State Department and the new E. C. A., though this is not clear in the bill. That is now the practice for food and agricultural equipment, where foreign programs presumably originate in the Department of Agriculture in consultation with other interested agencies.

True, the new agency would require a similar staff to formulate its stated requirements, but its problem of recruitment will in any event be as wide as western Europe, and there is hardly any escape from a misleading appearance of duplication. The staff of the Secretary of Commerce might conceivably function for both agencies, at least in the initial stages, but the levels of operation are distinct and the concept of a single unit functioning as both petitioner and critic is hardly tenable as a permanent arrangement. The reviewing staff would presumably be much smaller in the end, on the principle of a reduction gear. If the President's plan of foreign aid organization were accepted by the Congress, a loan of the services of the OIT staff by the Secretary of Commerce to the head of that agency for any specified length of time would be a matter for their joint discretion.

All these problems would, however, seem much more simply taken care of by the select committee's recommendations and the Herter bill (H. R. 4579). There is no question but that programing responsibility, at the initiating stage, under this bill rests directly with the Executive Director of the Foreign Aid Council, who is also Chairman of the new corporation, EFRA. He is to have a staff which would prepare the programs, which are to be passed upon by the Foreign Aid Council and either approved or disapproved by the President. The conception of the new agency in the minds of the select committee joins the functions of protecting the domestic economy and of insuring that any export program for foreign aid is sensibly planned and well executed. In these terms the two objectives have always

been regarded as more complementary than conflicting, and therefore as warranting final reconciliation in a single center of analysis.

The President's directive powers would enable him to turn elsewhere for advice and conceivably to set up a staff reviewing agency of his own. He could possibly retain the Commerce Department staff for this purpose, but to do so would be to go against the whole logic of the bill and to invite useless difficulties. It would not, however, be incompatible with the purposes of this bill for the President to set up a reviewing staff in his own Executive Offices as he did in the Office of War Mobilization.

In effect, this would mean that the foreign programing would all be done by the new agency, so far as its initial preparation was concerned, and that that part of the Office of International Trade staff which now prepares and reviews foreign programs and licenses exports, ought to be transferred to the new agency. If the President chose to set up a review staff to assist the Foreign Aid Council in its task or to advise him personally, its chief function would be to fit foreign programs into the picture of domestic availabilities and to allocate as between the two. The Foreign Aid Council contains, in the committee's recommendations, all the chief Cabinet members involved and its scrutiny should be a major factor in protecting domestic requirements against foreign requirements.

F. WHERE SHOULD THE OFFICE OF MATERIALS DISTRIBUTION BE LOCATED?

The Office of Materials Distribution in the Department of Commerce is coordinate with the Office of International Trade. It is in effect the executor of the old WPB estate and administers the once formidable asset of priority power created by title III of the Second War Powers Act as extended by the Second Decontrol Act.

Like the Export Supply Branch of the OIT, its functions are now a slim shadow of those marking the peak of the war effort. Whether or not they will recover a slightly larger measure of importance under the foreign-aid program depends on the judgment of the Congress with respect to matters discussed in the section: Expiring Powers Under the Second Decontrol Act. At present they are limited largely to the issuance of priorities and domestic allocations on a few commodities such as tin and tin products, antimony, cinchona bark and derivatives, and export priorities on nitrogenous fertilizers, priorities for the stimulation of needed imports, and the privilege of the Secretary of State to certify to the Secretary of Commerce the urgency of selected export needs. Even this limited authority expires on February 29 unless further action is taken by the Congress.

Little mention of the Office of Materials Distribution has been made in the foregoing organizational notes for the reason that it does not pose quite the same problem of separable functions as does OIT. Its proper location in the over-all foreign aid organization would seem to be fixed by the disposal made of the allocation power. The right to issue priorities is a variant of the right to allocate. When enough priorities are issued to make appreciable inroads on the supply, allocation will be necessary. Priorities can also be used, where permitted by law, to expedite shipment under an original or supplementary allocation.

The OMD should, in the committee's opinion, therefore be left in the Department of Commerce or shifted to the new agency, depending on final placement of the authority to control exports and issue mandatory allocations. Should the latter authority be vested in the Department of Commerce, for example, it would be necessary and proper for the head of the new agency, or the Secretary of State as at present, or either, to request the Secretary of Commerce to issue a priority on any shipment deemed by the applying officer to be sufficiently important to warrant its use.

The logic of the select committee's recommendations in its preliminary report No. 8: Proposed Principles and Organization for any Program of Foreign Aid, would lead to shifting both priority and allocation powers either to the office of the President or to the Foreign Aid Council, which contains the chief Cabinet members affected. This is not spelled out, however, so far as their domestic use is concerned, in the Herter bill. It would seem inappropriate, in any case, to have the Department of Commerce left with the priority powers in a way that is not geared into cabinet level integration with the top foreign aid program.

NOTE ON ADMINISTRATIVE PRACTICE AS BEARING ON THE ALTERNATIVES UNDER CONSIDERATION

The logic of the President's bill, considered as a whole, is to build up the old-line agencies and, in particular, the Departments of State, Commerce, and Agriculture, to carry out most of the functions of foreign aid and to work out, through unspecified arrangements to be determined by the President, programing, interdepartmental agreements on allocations, and the actual machinery for implementing programs, including purchasing power. The use of the Foreign Service Reserve would provide the staff abroad through which these agencies might be informed on the European requirements. If salary scales for the top-level appointments were changed throughout the Government and new blood were introduced through considerable alterations in civil-service procedures and limitations, this might achieve a general program of governmental reform and a strengthening of the old-line departments. Perhaps that thought is not foreign to the administration in its proposals; it would seem to be logical.

Under the existing civil-service limitations, salary levels, and traditions of these departments, it is highly questionable whether such a sweeping reform in personnel and procedures could be accomplished in time to undertake the tremendous and unique task that will be imposed. The select committee prefers its own proposals on what appear to it to be the reasonable grounds that business and other administrative talent not available to the "old line" departments must be brought into play with great speed. The corporate structure and the powers vested in the Foreign Aid Council and the Emergency Foreign Reconstruction Authority are sufficient to accomplish this end.

Administratively considered, the ultimate power and directive control rest with the President, advised by his Foreign Aid Council, but the Executive Director and the staff of the new Authority have both the important power of initiation (for programing) and the necessary concomitant of control over exports (for implementation of such programs). It is also administratively unfeasible to separate control

over aspects of the foreign aid program, which the select committee reiterates may be broader than the European program alone, from the control over licensing of commercial exports.

The previous analysis is an attempt to show three things which support these conclusions: (1) That the programing and the export controls are inseparably connected; (2) that their present exercise has been handicapped by lack of a clear policy regarding what should be accomplished in Europe as much as by inadequate personnel for the discharge of responsibility; and (3) that a logical remedy for such a situation (given certain safeguards such as review at Cabinet level or in the Executive Office) lies in transferring the previous war powers back from an old-line agency to a new authority created to meet conditions less critical and extensive, but of comparable character to wartime administration with respect to shortages and the necessary programing of resources.

The Congress has acted to extend export control powers. It has not, however, sufficiently secured the extension of the positive powers in the Second Decontrol Act that is about to expire. These would be extended by the Herter bill (H. R. 4579, sec. 31) and would be transferred to the new Authority (H. R. 4579, sec. 32 (a)).

This solution is regrettably hard on a department like the Department of Commerce which has received indifferent administration support at times in the past, as a consequence of which both its functions and budgets have suffered. It is suggested, however, that the functions of the Department of Commerce may be used on many operating levels, by means of the power of the Emergency Foreign Reconstruction Authority to operate through existing agencies (H. R. 4579, sec. 20 (h)). The units of the Department of Commerce concerned with trade services, promotional functions, and statistical and other studies should be drawn upon to the full and strengthened. The new agency should have a small staff which could delegate a great part of operating detail to existing agencies like Commerce and Agriculture. It seems unwise to place extraordinary operating burdens on the Department of State or the ordinary Foreign Service, though there is no legitimate objection to having the duly appointed agents of the new agency abroad given status in the Foreign Service Reserve.

It should be emphasized, in conclusion, that responsibility for all allocation, programing, and administration inheres finally in the President under the plan of organization proposed by the Select Committee on Foreign Aid. The important distinction that would assure businesslike operation and a proper balancing of domestic and foreign responsibilities lies in the statutory weight given to the new agency in its programing functions by the direct but duly safeguarded exercise of the powers necessary to fulfill its responsibilities.



TRANSPORTATION AS IT AFFECTS THE
EUROPEAN RECOVERY PROGRAM

PRELIMINARY REPORT SEVENTEEN
OF THE
HOUSE SELECT COMMITTEE ON FOREIGN AID
PURSUANT TO
H. Res. 296
A RESOLUTION CREATING A SPECIAL
COMMITTEE ON FOREIGN AID



MARCH 4, 1948.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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80TH CONGRESS <i>2d Session</i>	}	HOUSE OF REPRESENTATIVES	}	REPORT No. 1504
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TRANSPORTATION AS IT AFFECTS THE EUROPEAN
RECOVERY PROGRAM

MARCH 4, 1948.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. HERTER, from the Select Committee on Foreign Aid, submitted
the following

PRELIMINARY REPORT SEVENTEEN

[Pursuant to H. Res. 296]

TRANSPORTATION AS IT AFFECTS THE EUROPEAN RECOVERY PROGRAM

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PART 1. THE EUROPEAN RECOVERY PROGRAM AND UNITED STATES DOMESTIC TRANSPORTATION

SUMMARY

1. The principal United States transportation problem which the European recovery program faces is that of a shortage of freight cars, resulting from recent increases in the demand for rail transportation and recent decreases in the amount of equipment available. The increase in the demand, which in terms of carloadings exceeds war-time peaks, is a result of the high general level of economic activity in this country at the moment. The car shortage impinges on the export program in three principal ways: (1) A boxcar shortage affects the export grain movement, (2) a shortage of open-top cars limits coal production and export, and (3) a shortage of tank cars creates a number of special difficulties described below.

To date the boxcar shortage has caused temporary difficulties but has not actually prevented us from reaching export targets. If not remedied, it may cause us more serious trouble next year.

The coal-car shortage, on the other hand, has probably reduced production at times by as much as several hundred thousand tons per week and resulted last fall in a cut of a million and a half tons in the monthly export program.

The tank-car shortage, while not directly restricting petroleum export to an important degree, reflects difficulties in the distribution of petroleum-to American users which have led to demands that exports be curtailed or cut off. It has also caused some difficulties in the movement of liquid agricultural products and it has inhibited the Army's production of synthetic nitrogen fertilizer.

The decline in the car population is in the first instance due to a failure on the part of the railroads to realize the probable magnitude of postwar demands for transportation and to order equipment to deal with these demands. The big job of wartime transportation was accomplished by increasing sharply the utilization of existing equipment and by keeping in service old cars beyond their normal retirement age. Pipe lines for oil and products also lightened the load on tank cars. When late in 1946 the railroads got around to placing heavy orders for cars, the car-building industry was busy with export orders. Since then the car-building industry has found it impossible

for a variety of reasons to bring production up to the current target level of 10,000 cars a month. Since retirements of overage and war-worn equipment have been approaching 7,000 cars a month, we have not yet been able to make any headway in increasing our car population. A target of 14,000 cars a month is being discussed for next year, but even if this is reached by next April, as hoped, the increase in our car supply will be painfully slow.

2. Short-term remedies for the car shortage must, therefore, be sought elsewhere. There is currently a larger percentage of cars awaiting repairs than during the best of the war years, but the repair position is much better than in normal prewar periods, and it is doubtful whether, in view of the age and condition of existing equipment, the situation can be remedied entirely by improving efficiency in this direction. Nevertheless, overtime spent on bad-order cars is well spent.

3. Cars are being utilized far more intensively than before the war but further improvements are doubtless possible. The 5-day week in industry has meant more idle cars over week ends, and overtime to keep the cars moving is in many cases prohibitively expensive. Nevertheless, if, by the cooperation of shippers, railroads, and consignees, as much as half a day could be cut from the average turn-around time for freight cars, it would be the equivalent of adding some 80,000 cars to the total car population. The new agency (EFRA) can contribute materially to this result by insuring that export procurement is done in such a way as to minimize the transportation burden.

4. Some observers look to an increase in the utilization of other means of transport to relieve the pressure on the railroads. Little can be done in shifting the export program to highway transportation since such a large proportion of it consists of bulk items like coal, grain, and fertilizer which are not adapted to movement by truck. The Great Lakes are already being utilized in the grain movement, probably to as great an extent as is practicable. Although the prospects of moving a larger proportion of the export program by water are thus not very promising, it may be possible to give the railroads some relief by shifting domestic movements. If coastwise and inter-coastal shipping could be revived to their prewar level for instance, a substantial tonnage could be taken off the rails. Likewise, if greater use could be made of barges for the movement of bulk items like sand, gravel, and so on, more open-top cars could be made available for the movement of coal. In considering such shifts, however, it should be kept in mind that the problem will be most acute in the year 1948 and that there is therefore no time for complicated readjustments of the freight rate structure requiring extended hearings or for the construction of elaborate new equipment to reduce the costs of handling water-borne cargo. Any action on this problem would have to be of an interim emergency nature to be effective in time.

5. It has been suggested that if the rail situation does not improve in the near future, some more stringent set of controls should be applied to force the use of whatever equipment is available for the most essential needs. It is the view of the railroad industry that the pattern of car use is so complex that any set of priority regulations is more likely to reduce than to increase rail efficiency. In spite of the enormous pressure of need, no priority system was adopted all through

the war, although military shipments and special car allocations for oil, etc., were given special treatment. Bottlenecks and spot situations were met by special action as they arose through the activities of the Office of Defense Transportation, Interstate Commerce Commission, and Association of American Railroads.

6. Public Law 395 (December 30, 1947) permits voluntary agreements, protected against antitrust action, under suitable safeguards, that are comparable to wartime arrangements. Under War Production Board orders, e. g., shippers of cement and chemicals using tank cars were permitted to avoid cross hauling by an exchange of customers. Substantial transportation savings by this method and by agreements on car exchange and shipping practices among the carriers may be possible.

7. Experience indicates that port capacity is not likely to be a factor limiting the export movement, with the possible exception of coal. Even in this case the ports have handled in recent months tonnages as large as any likely to be required.

RECOMMENDATIONS

1. The existing export licensing procedure is essential to insure the orderly movement of coal to port. Authority for these export controls, which was recently extended to February 1949, should be renewed again if the program continues beyond that date and located in the new foreign-aid agency (EFRA) as previously recommended by the committee.¹

2. The existing procedure for allocating coal monthly among the claimant countries performs an important transportation function and should be continued.

3. Whatever steps are necessary to secure the achievement in the near future of a target rate of production of 14,000 freight cars should be taken. The steel companies and the car builders should be given time to try to work out their difficulties on a voluntary and cooperative basis, but if they do not succeed in bringing production up to the desired level, Government intervention may be necessary. If, after a period of trial, it should be determined that inadequate steel is being delivered to the car builders, a mandatory allocation should be made. If it should be determined that the car builders are using excessive amount of steel for other purposes, mandatory control may have to be imposed upon them. From the present trend of events it does not appear that such stringent measures will be necessary.

4. The pending request of the railroads for a permanent rate increase should be acted upon one way or another by the Interstate Commerce Commission at the earliest possible moment, to remove uncertainties concerning revenues which may be interfering with repair programs and operating efficiency.

5. With respect to general transportation controls exercised by the executive branch of the Government, some agency should accept, as one of its functions, responsibility for watching the progress of rail transportation, communicating to the permanent railroad agencies the Government's views as to the relative importance of different

¹ See Preliminary Report No. 8 of the Select Committee on Foreign Aid, (Proposed Principles and Organization for any Program of Foreign Aid.)

commodity movements to the national interest, bringing together those responsible for export procurement, rail transportation, and ocean shipping in order to coordinate these three activities, expediting particular movements of special importance, etc. The agencies now performing these functions are the Office of Defense Transportation and the Office of the Coordinator of Emergency Export Programs. The functions of the latter, at least, should be placed within the new agency charged with administering the European recovery program (EFRA). Since many issues will arise not directly related to export, the general powers should be left in the ODT, but the new agency should have power to initiate and propose to the ODT directives relating to car movements for export.

In view of the temporary nature of many of the problems and in view of the wide knowledge and experience of the Interstate Commerce Commission, the Association of American Railroads, and the individual railroads, main reliance should be placed on voluntary action through existing mechanisms. The functions which require to be performed by some agency of the Government are now those of coordination, expediting, and interpreting Government policy, rather than those of administration and control. If the situation deteriorates more, direct control powers may be needed.

6. Any agency charged with the functions described above should regard it as one of its chief duties to maintain pressure on all procuring institutions, public and private, to buy in ways which will be most economical of transportation. For example, if grain continues to be purchased for export by the Department of Agriculture, procurement should be smooth and regular and purchases in the Northwest should be concentrated heavily during the season when movement across the Great Lakes is possible. Enough grain should be purchased in the Southwest areas for movement through the Gulf ports, where the rail haul is short, to keep those ports busy up to their practical capacity. Governmental and private agencies should be encouraged to make their monthly procurement plans far enough in advance of the month of shipment so that the railroad agencies will have ample time to plan the movement of cars. Where procurement is done by a number of independent, private buyers, as is currently the case with coal, the agency should continually scrutinize procurement plans to insure that no wasteful cross hauling of commodities is involved and that sources most conveniently located for export shipment are used wherever possible. This coordination of procurement with transport both internal and overseas is the most important transportation function of EFRA. Presumably the new agency (EFRA) should recommend what voluntary agreements by shippers for export should be approved under Public Law 395. Use of these permissive powers as outlined in point 6 of the summary should be encouraged to save cars and promote better utilization of existing facilities.

7. The Congress through its appropriate committees should maintain continuing vigilance over the transportation situation. As suggested above, voluntary and informal methods of obtaining improved transportation are far to be preferred to new legislation and new controls. Where voluntary measures appear to be inadequate, however, special additional legislation may be required. This should be studied against a possible peak load in the fall of 1948.

8. Authority for Office of Defense Transportation Orders 1 and 18A which require the loading of equipment with minimum quantities

of freight has been continued until February 1949. Vigilance in the administration of these orders should be maintained.

9. With respect to high-pressure tank cars to increase Army production of synthetic nitrogen fertilizer, the integration of production facilities to remove the necessity for tank-car transport is to be preferred to any attempt to increase sharply the number of such cars available. This plant integration would free car-building capacity for other urgently needed types of equipment. The Army should make it a condition of the sale of existing plants to private interests that they undertake such integration.

10. Various measures are desirable to relieve the strain on petroleum transportation. The following are the most important: (a) Pipe-line construction in the United States should be pressed forward as rapidly as possible. If steel goes under allocation, this use should have a high priority. (b) The construction of the trans-Arabian pipe line should be expedited, as it will save much-needed tanker vessels. (c) Steps should be taken to increase tanker construction both here and abroad, as recommended in part 2 of this report.

11. Some of the failure to build stocks of coal up to adequate levels during the fall of last year was due to a reluctance on the part of dealers to hold large stocks in a period of rising prices. This delay in accumulating stocks when transportation was comparatively easy intensified the car shortage during the peak months of September, October, and November. All possible steps should be taken next year to encourage dealers and users of coal to build up their stocks to the maximum extent possible during the spring and summer months before the seasonal peak demand for open-top cars sets in.

12. The Maritime Commission's authority to bare-boat charter vessels to domestic operators at low rates for coastwise and inter-coastal service should be extended to avoid the withdrawal of vessels now in this service. This withdrawal would throw an additional burden on the rails. The possibilities of a rate structure which would stimulate further expansion of intercoastal operations should continue to be explored by the Interstate Commerce Commission.

I. THE FREIGHT-CAR SHORTAGE

The only factor in the United States transportation situation which is likely to create any difficulties for the European recovery program is the supply of railway freight cars, which is currently inadequate to meet all domestic and export requirements, and is likely to continue to be tight for some months to come. Other railway facilities and equipment, as indicated in the report of Secretary Krug's Committee on National Resources and Foreign Aid, are in a position to handle any domestic and export burdens likely to be put upon them, and trucking and waterway facilities are now meeting all demands with some excess capacity. As will be shown later, United States port capacity is adequate both for general cargo and for commodities requiring special equipment such as bulk grain and coal.

The freight-car shortage is the consequence of two factors which have been at work in recent years with cumulative effects, namely a rapidly mounting volume of carloadings and a continuously declining freight-car population. The trend of these factors is shown in the following table:

TABLE I.—*Car ownership and carloadings, Class I railroads*
(in thousands)

	Freight cars owned ¹	Weekly average of carloadings			
		January	August	September	October
1930.....	2,279	837	934	931	954
1944.....	1,764	789	895	882	900
1945.....	1,760	751	820	814	788
1946.....	1,740	721	896	879	920
1947.....	1,725	792	912	900	953

¹ Ownership figures are as of Dec. 31, except 1947, which is as of Nov. 1.

Source: Association of American Railroads.

Carloadings for October last year exceeded those for any month since October 1930, when there were some 544,000 more freight cars in service. Carloadings last fall were consistently in excess of those for comparable periods during 1944, the peak year of the war, when we had 40,000 more cars to handle the traffic than we have now. Furthermore, the amount of freight loaded into each car has been growing recently. Though it has not reached the wartime figure of 33.5 tons per car achieved for the first 7 months of 1943, it rose for the comparable period of 1947 to 32.5 tons from 30.9 tons in 1946.

The reasons for this increase in the demand for railroad transportation are clear enough. The United States economy has recently been operating at levels higher than any ever before achieved in peacetime. The index of industrial production is in the neighborhood of 185 as compared with 125 in the prosperous prewar year 1940. In other words, many more goods requiring transportation are being produced.

The recent high level of exports, which has sometimes been blamed for car shortages, is a factor in the situation. But the Bureau of Labor Statistics has estimated that not more than about 10 percent of the employment in transportation was attributable directly or indirectly to the export movement during the first half of this year. The export movement is a part, but not much more than a normal part, of the high level of output and employment which is the basic cause of the general demand for freight cars.

To add any additional demand for open tops or tank cars is, of course, to increase the pressure where it is most felt. It can be met on existing levels of exports without seriously weakening the economy of the United States, but to do so requires special efforts to increase car availability and improve utilization.

The freight-car shortage impinges on the export program in several vitally important respects. Nearly 70 percent of the tonnage moving abroad consists of grain and coal. The movement of grain is rendered difficult by shortages of boxcars. Coal production has been restricted by lack of enough open-top cars. The Department of Agriculture reports that the export of various specialty products of small tonnage but great importance has been limited by shortages of tank cars. An appraisal of some of the special factors responsible for heavy car demands and car shortages in these particular areas is necessary for an understanding of the impact on an aid program on the state of the railway system.

Boxcars for grain

Boxcars represent about 42 percent of the total freight-car population. They are, of course, the all-purpose vehicle for the transportation of nonbulk commodities, and demands for them thus reflect the general state of business activity with great sensitivity. From 10 to 15 percent of boxcar loadings, however, are in grain and grain products. The record crops of wheat and other grains of the last few years have thus put an extra strain on limited boxcar facilities. The following table shows the trend of boxcar ownership and of loadings of grain and grain products during the harvest season, with prewar figures for comparison:

TABLE II.—*Boxcar ownership and loadings of grain and grain products, Class I railroads*
(in thousands)

	Boxcars owned ¹	Weekly average carloadings of grain and grain products		
		August	September	October
1930.....	1,060	61	48	41
1940.....	705	42	40	38
1944.....	745	51	48	52
1945.....	742	62	57	56
1946.....	729	51	48	50
1947.....	¹ 722	63	52	53

¹ Ownership figures are as of Dec. 31, except 1947, which is as of Nov. 1.

Source: Association of American Railroads.

For the first 45 weeks of the year, carloadings of grain and grain products in 1947 were 12.2 percent higher than in 1946 and 1.3 percent above 1945.

To date the boxcar shortage has not actually prevented the United States from reaching export targets, though special efforts on the part of railroads and shippers have been necessary to get cars in position for loading and to expedite turnaround. Many grain elevators worked 7 days a week during the peak of the grain movement at considerable cost in overtime. Actually this year's record crop has been moved more rapidly and efficiently than last year's. There have been fewer delays, fewer blocked elevators, and much higher shipments for both domestic use and export. This is due, as shown later, to better utilization of equipment, and is, as table II shows, in spite of further declines in boxcar ownership. These grain loadings have not been accomplished without delay and inconvenience to other boxcar users. Unless the downward trend of car ownership is reversed, it is unlikely that another bumper grain crop can be handled without serious interference with important domestic transportation services.

Open-top cars for coal

The effect of shortages of open-top cars has been more serious. Most coal producers have no facilities for stock piling at the mine. Therefore car shortages result not merely in delay but actually in reduced production which is irretrievably lost. How much coal production has been curtailed recently by car shortages it is impossible to estimate with any accuracy. During the peak period of demand for open tops, in October of 1947, requests for cars for coal exceeded those

made available by up to 40,000 per week. Since then, the seasonal decline in demand has brought considerable relief, as shown in the following table.

TABLE III.—*Weekly coal-car shortages*

Week ending—	1946	1947	Week ending—	1946	1947
Oct. 4.....	20, 610	34, 078	Nov. 8.....	14, 593	30, 473
Oct. 11.....	18, 598	33, 551	Nov. 15.....	15, 391	22, 749
Oct. 18.....	21, 179	37, 200	Nov. 22.....	6, 056	28, 231
Oct. 25.....	28, 235	40, 844	Nov. 29.....	(¹)	11, 056
Nov. 1.....	24, 217	37, 288			

¹ Incomplete because of coal strike.

Source: Office of Defense Transportation.

Were these shortages an accurate indication of the amount of additional coal which would have been produced if ample cars had been available they would suggest, at 50 tons per car, that car shortages during October were responsible for a short fall of between 1 and 2 million tons of coal a week. In fact they considerably exaggerate the true shortage of cars. An order for 20 cars, unfilled and repeated for 5 days, becomes a paper shortage of 100 cars. Further, in a period of stringency, mines sometimes overbid in the hope of getting something closer to their true requirements. Some of the mines reporting shortages are producing low-quality coals for which, if they got the cars, there would be little if any market.

But some highly productive mines, producing the most needed coals, went short of cars to the detriment of production. Undoubtedly an abundant car supply would have permitted the production of at least several hundred thousand tons more coal per week during the fall period of critical car shortage. In spite of record shortages, production in the week ending November 22, 1947, reached 13,300,000 tons of bituminous coal, more than during any week of 1946, except 2 weeks in December—and this in spite of the reduced hours of work per week specified in last summer's contracts with the miners. To be sure, the shortages have not been spread evenly but have hit certain areas much harder than others. Some consumers normally supplied by the northern Appalachian fields have been prevented by car shortages from building up fall stocks as much as desired, while the southern Appalachian fields have achieved record production. If by next year's fall peak of car demand this imbalance is not corrected, serious trouble in certain areas is almost certain.

Whatever the true magnitude of coal shortages induced by car shortages, they always bring with them powerful demands for a restriction of exports. The fall crisis led to cuts in the export program to Europe from the 4,500,000 tons achieved in August and September to targets of 3,500,000 for October and 3,000,000 for November and December. It is therefore important that those interested in the aid program should understand the factors responsible for the shortage of open-top cars and the possible remedies.

The following table shows open-top-car ownership, total loadings of hopper and gondola cars, loadings of coal, and loadings of ore for the first 45 weeks of 1947 and earlier years:

TABLE IV.—*Open-top cars, ownership and loading, class I railroads*
(in thousands)

	Open tops owned ¹	Carloadings, first 45 weeks		
		All hoppers and gondolas	Coal (revenue)	Ore
1930.....	913	(2)	6,860	1,611
1940.....	791	(2)	5,825	2,002
1944.....	864	(2)	7,799	2,532
1945.....	858	(2)	7,179	2,366
1946.....	857	15,931	7,064	1,823
1947.....	853	18,421	7,819	2,465

¹ Figures as of Dec. 31, except 1947, which is as of Nov. 1.² Not available.

Source: Association of American Railroads.

This table reveals the same declining ownership and expanding demand which characterized the boxcar picture. The increase in demand is partly in coal, which makes up a little less than half of the total loadings. Neglecting the 1946 figure (which is abnormally low because of the prolonged coal strike in that year), it will be noted that coal loadings in 1947 were above 1944, the peak war year and far in excess of 1930, although the number of open-top cars owned was less in 1947 than in either earlier year. Even more dramatic is the increase in the use of cars for ore and other commodities. In spite of increased coal loadings the percentage of cars assigned to coal has decreased since the war in proportion to other competing uses.

The increase in ore loadings is partly a consequence of an increase in the program of iron-ore shipments from the Great Lakes ports from 60,000,000 tons in 1946 to 80,000,000 in 1947.

A further increase in this program is virtually certain next year in response to the great pressure for expanded steel production. This will add to the strain of the fall peak load.

The principal other commodities using open tops are construction materials such as sand, stone, gravel, lumber, coke, fluxing stone, and phosphate rock. Construction materials have been moving especially heavily during last summer and fall for both private and public construction projects held up during the war and now getting under way again in large volume. Some relief from this demand will be felt during the winter months when construction slows down. Movement of the sugar-beet crop requires some 135,000 carloadings, which would be a small additional burden if it were not concentrated in 6 to 8 weeks during the period of peak demand for open tops.

It is clear that if continuing increases in demands for open tops to move coal, ore, and construction materials are to be met, the decline in ownership of this type of equipment will have to be reversed, and existing equipment will have to be utilized even more efficiently than at present. If this is not done, it is probable that the export coal movement will be one of the first things to suffer. The danger is small in the immediate future, as competing demands for open tops slacken during the winter. A large number of cars are released for coal from the Great Lakes movement, and construction falls off. There will be another peak demand next fall, however, which may

cause even more hardship if the railroads are not put in a position to meet it.

There has been some misunderstanding as to the relative efficiency of freight cars moving coal for export as compared with the domestic movement. The ODT has estimated that on 88.3 percent of the export movement average turnaround was about 14 days, roughly the same as turnaround on the 50,000,000-ton movement to the Great Lakes. On the remaining 11.7 percent of exports turnaround was about 16 days. These figures compare with an average of 11.3 days for all commodities in hopper cars and 13.1 days for gondolas.

Tank cars

The tank-car position shows the operation of exactly the same factors that have been at work in the case of boxcars and open tops. As the following table shows, ownership has been declining since 1942.

TABLE V.—*Total nonrailroad ownership of tank cars*¹

Year	Tank cars	Year	Tank cars
1939.....	137, 943	1945.....	141, 140
1941.....	141, 116	1946.....	138, 348
1942.....	143, 898	1947.....	134, 203
1944.....	141, 290		

¹ The 8,000 or 9,000 railroad-owned tank cars are used almost exclusively to carry the railroads' own petroleum requirements.

Source: Association of American Railroads

Demands, on the other hand, have been increasing. During the first 48 weeks of 1947 revenue tank-car loadings were 2,572,988 as compared with 2,267,828 for the same period of 1946.

There are two special factors in the tank-car situation. In the first place, all tank cars used for commercial movement are owned by oil companies or private car companies. Their allocation among users is therefore entirely out of the hands of the railroads, though the Office of Defense Transportation possesses powers of allocation and exercises them in cases of distress. In the second place, the expansion in petroleum requirements since before the war has been much greater than that in almost any other commodity. Pipe-line construction has helped to meet these expanding requirements but in the face of the shortage of tankers pipe-line capacity has not expanded as rapidly as demand so that the pressure on tank cars has been continually increasing.

The export petroleum movement accounts for a very small fraction of the total demand for tank cars. The United States is now on balance, a net importer of petroleum products. Imports of crude oil exceed in value exports consisting principally of gasoline and lubricants. Much of the processing of the export products is done at facilities near tidewater requiring little inland transportation. Nevertheless, as in the case of coal, a tight domestic situation leads to pressures for the restriction of exports. It is therefore of the greatest importance to the export movement that an early solution should be found for the domestic petroleum transportation problem.

One element in this solution is a more rapid construction of pipe lines. This depends primarily on the availability of steel which should be supplied for this purpose as a matter of high priority.

The completion of the pipe line now under construction from west to east Texas will afford major relief in March or April this year freeing several thousand tank cars. A solution depends also on measures to relieve the tanker shortage. This problem is discussed further in the ocean shipping section of this report. New tank-car construction is now reversing the downward trend of tank-car ownership, but this cannot be expected to afford major relief. In view of the urgency of other types of cars it would not be desirable to reduce output of open tops or boxcars in favor of tank cars. The production of all major types of freight cars must be expanded.

Some improvement may be achieved in tank car turnaround. Under Public Law 395 private companies wishing to enter into voluntary agreements for the exchange of customers and facilities in order to save such scarce items as tank cars may be protected from anti-trust prosecution. Such agreements are under study in the oil industry and may be helpful in eliminating wasteful cross hauling. The major relief, however, must be looked for in the expansion of other means of transporting petroleum.

The tank-car shortage has caused some difficulties for other liquid exports such as vegetable oils. There is also a special problem arising from the shortage of high-pressure tank cars. These are important in the Army's program of production of synthetic ammonium nitrate fertilizer for export to Germany and Japan. The production process involves manufacture of anhydrous ammonia which must then be shipped in high-pressure tank cars to other plants to be put into solution. After another journey in ordinary tank cars it is made into the final fertilizer product. The Army now has a monthly rate of production of fertilizer of about 22,000 tons nitrogen content. They employ 408 high-pressure cars in this production out of a total of some 6,200 such cars in existence in the country. There is a heavy demand for these cars for the shipment of liquid petroleum gases as well as for other chemical products, and the Army has been unable to obtain any additional cars of this type. Should such cars be available the Army's facilities could be expanded to produce an additional 4,000 to 5,000 tons of nitrogen per month.

The best solution to this problem lies not in increasing the number of high-pressure cars available to the Army but rather in the integration of the existing production facilities so as to eliminate the need for the use of high-pressure cars. This can probably be done fairly simply, especially at the Cactus plant at Etter, Texas., where the principal possibility for expanded production exists. The Army is currently attempting to negotiate the sale of this facility to private interests and is trying to interest potential buyers in an integration project.

II. CAR PRODUCTION

To understand the reasons for the present inadequacy of railroad equipment and especially of freight cars, one must go back to the interwar period. During the twenties the car population was nearly constant at around 2,300,000 units with both production and retirements averaging a little over 100,000 cars per year. This reflects the normal retirement rate of between 4 and 5 percent. The peak year was 1923 when 232,000 cars were installed and 214,000 retired. During the thirties when the railroads were faced with declining

demand and plagued with financial troubles production fell sharply to a low of 6,410 cars in 1933 while retirements actually increased. By 1940 car ownership had fallen to 1,640,000, a decline of nearly 600,000 units. This drop of over 25 percent in the car population was offset to only a small extent by an increase of about 10 percent in the average carrying capacity per car.

During the recent war, car production recovered somewhat, but never reached a level sufficient to provide even for normal replacement, let alone for expansion of the car population. The railroads were not persuaded that the wartime levels of traffic were more than temporary and did not order cars in large numbers. Even if they had, material shortages would probably not have permitted a high rate of output of freight cars.

The car population was expanded somewhat by the expedient of keeping old cars in service well past their normal service life, and operating them at a highly intensive rate of utilization, involving less than adequate maintenance. The net result is a car population which is not only too small, but also in bad condition, as shown in the following table:

TABLE VI.—*Freight car inventory—Distribution by age groups (as of Jan. 1, 1947)*

Age group in years	Number of cars	Percent of total	Age group in years	Number of cars	Percent of total
Over 30.....	369,000	21.1	11-15.....	74,600	4.3
26-30.....	178,900	10.2	6-10.....	240,200	13.7
21-25.....	436,000	25.0	1-5.....	201,800	11.6
16-20.....	246,100	14.1			

Source: American Railway Car Institute.

While this table is misleading in that some railroads rebuild cars without reclassifying them, it is still broadly true that from a quarter to a third of United States freight cars are past the normal retirement age. To replace these cars over the next few years and provide in addition for retirement of the balance as they wear out or become obsolete will clearly require production well above the normal rate of 4 to 5 percent of total ownership. Beyond this, the car pool probably needs to be expanded by several hundred thousand cars to meet the requirements of a high-level economy. Precisely how large this expansion should be depends, of course, not only on the future level of business activity, but also on the way in which traffic is divided in the future between road and rail carriers; but under any probable circumstances, some expansion will certainly be required. It is clear that the current target of 10,000 new cars per month (which has not yet been reached) is much too low to do the job, and that the target of 14,000 to 15,000 being discussed for next year will do it only very gradually.

In view of these facts the question arises as to why car production has been so slow to pick up since VJ-day. The facts are shown in the following table:

TABLE VII.—*New freight-car production and retirements*

	New freight cars built	New cars installed on class I railroads	Retirements on class I railroads
1946, monthly average.....	3, 499	3, 275	4, 919
1947—January.....	2, 982	2, 753	3, 150
February.....	2, 293	1, 433	2, 664
March.....	2, 883	3, 012	5, 044
April.....	4, 123	3, 933	4, 489
May.....	3, 929	3, 880	5, 215
June.....	5, 527	4, 798	5, 356
July.....	5, 879	4, 730	6, 273
August.....	5, 963	4, 319	6, 535
September.....	7, 597	6, 119	6, 260
October.....	8, 364	6, 836	¹ 11, 400
November.....	8, 928	7, 151	4, 349
December.....	9, 883	8, 017	4, 945

¹ Reflects official retirement by one railroad of nearly 6,000 obsolete cars which have been out of service for some time.

Source: Production, American Railway Car Institute; installation and retirements, Association of American Railroads.

The explanation of this disappointing rate of car production is not simple. The chief factor in 1946 appears to have been the fact that the railroads, worried by financial difficulties and uncertain of the future, were slow in placing orders. As of January 1946 the car builders had orders for only 32,271 cars for domestic use. Since this would represent only about 3 months' normal production, the car builders felt free to accept rather large export commitments, including an order for 36,750 cars from France. This was fortunate from the standpoint of European recovery, since a complete break-down of European transport was avoided in considerable measure by this infusion of new cars from America. Furthermore, the foreign orders probably enabled the car builders to iron out early reconversion difficulties which would otherwise have plagued production for the domestic market.

Nevertheless this production for export meant that when the American railroads finally realized the urgency of their needs and saw their way clear financially to place substantial car orders late in 1946 they could not get quick deliveries. The car builders ran into greater difficulties than they had anticipated securing materials, and the foreign orders were not completed as soon as they had hoped.

Production for export tapered off rapidly during the first half of 1947, however, and came to a virtual stop by August. There is dispute as to the reasons for the failure of production to pick up as planned in the last few months. In February of this year an agreement was reached between the steel industry, the railroads, and the car builders providing for the delivery of steel to the last two groups sufficient to produce 7,000 cars per month beginning with July. As table V indicates, July and August production fell short of this target by more than 1,000 cars. The steel agreement was subsequently revised to provide steel for a target of 10,000 cars which was to be effective with September or October deliveries. Again, performance has so far been short of plans.

This cannot be blamed on railroad orders. On December 1 there were unfilled orders for freight cars outstanding of 130,487 or more

than a year's production at the target rate. The car builders allege that they have not received sufficient steel to meet the program, and that what they have received has not been in balanced lots. In view of this unbalance they say they must keep abnormally large inventories to be sure of having enough of every item on hand. The steel industry, on the contrary, contends that during 1947 the car builders were not using the steel delivered to them in the most efficient way, and that they were not willing to enter into detailed agreements providing for a balanced delivery of steel components. One obstacle to effective cooperation between steel companies and car builders has been fear of prosecution under the antitrust laws. Public Law 395 has quieted some of these fears, and a plan for a more orderly pattern of steel deliveries appears to be emerging. An increase in the target from 10,000 to 14,000 or 15,000 cars a month has recently been under discussion.

Even if this target is achieved, the rate of increase of the car population will be painfully slow. If retirements can be held to the 7,000-car-per-month rate which they have been approaching, which will be difficult in view of the age and condition of most existing equipment, a monthly increase in the car supply can be expected of only some 7,000 cars, or about four-tenths of 1 percent. At this rate it will take 2 years to increase the car population by as much as 10 percent, which will not bring it back to the levels of the twenties, even allowing for greater capacity per car.

In the long run, an adequate car-production program offers the only hope of a solution to the problem of car shortages. In the short run, however, even if car production reaches quite unexpectedly high levels, it cannot increase total ownership fast enough to meet all demands for transportation which may arise next year. For the immediate future other expedients must be sought. The possibilities are (1) a more rapid rate of repair which will keep a larger proportion of total cars owned in active service; (2) even more efficient utilization of each available serviceable car; (3) relieving the pressure of demand for freight cars by increasing use of road and waterway facilities; and (4) if all these are not sufficient, steps to insure that the shortages that remain do not impede the more vital and essential movements.

III. CAR REPAIR

During the twenties the percentage of cars awaiting repair averaged 6 or 7 percent, and never got below 5. In the depression when demand was slack the proportion reached 14 or 15 percent. The extreme pressures of the war brought it down to under 3 percent, 2.4 percent in January 1943, probably at the expense of an uneconomic degree of maintenance. Cars were kept rolling by one expedient or another when they should have been retired or given more fundamental repairs.

In the last 2 years the bad-order percentage has appeared to creep upward to its September rate of just under 5 percent for all cars, with individual roads showing figures as high as 13 percent for open tops. The figures must be interpreted with care, however, since they are affected by railroad practices relating to the classification of cars for tax purposes. For example the over-all bad-order percentage dropped from 4.7 to 4.3 percent during October of last year as a result of the

writing off by 1 railroad of nearly 6,000 obsolete and worn-out cars that had been out of service for some time awaiting retirement. One is tempted to point out that if the bad-order percentage could once again be brought down from 4.5 percent to the wartime level of under 3, some 25,000 additional cars could be made available. As explained later the railroads contend that their repair programs would go forward more rapidly if their revenues were increased through the granting of the rate increase currently pending before the ICC. In view of the increased age of the car supply, however, and the hard wartime wear it suffered, it is probable that the only way the bad-order percentage could be drastically reduced would be by retiring a good deal of over-age equipment, which would leave fewer cars rather than more. Some improvement in the rapidity of repair is undoubtedly possible. A recent arrangement negotiated by the ODT under which the steel industry is to provide more steel for heavy repairs should be helpful in this regard. The railroads have signified their intention to improve the situation in a series of voluntary agreements filed with the Interstate Commerce Commission. But repairs cannot be expected to produce a major increase in the volume of serviceable equipment available.

IV. CAR UTILIZATION

Efficient car utilization depends upon two sets of factors: (1) loading the maximum amount of freight into each car and (2) speeding up loading, discharge, handling, and delivery of empties so as to reduce car turn-around time to a minimum.

Average loads per car were much increased during the war by two operational orders issued by the ODT (orders No. 1 and No. 18A) requiring railroads and shippers to load cars with certain minimum amounts of freight. These orders are still in effect. Tons of revenue freight per loaded car, which averaged between 23 and 25 during the interwar period, reached 32.5 for the first 7 months of 1947. This compares with 30.9 for the comparable period of 1946 and 33.5 for the same period in 1943, the best war year. Thus performance in this respect is nearly back to the wartime peak. Since every ton added to this average gives the equivalent of about 55,000 extra cars, it is worth maximum effort to raise this figure still further; but the amount of slack remaining is probably small. Further, the relief possible from extra effort in this direction is limited largely to box-cars, since coal cars are as a rule loaded to capacity in any case.

Turn around is dependent partly on railroads and partly on shippers and consignees. In normal times railroad customers have possession of cars for about half the time between the ordering of the car by the shipper and its redelivery to the railroad by the consignee. In spite of the high demurrage rates currently in force there is still much time wasted while cars are in the hands of railroad customers. The spread of the 5-day week has meant substantial increases in car detention. Overtime rates for labor are currently so high that it is doubtful whether any practicable increases in demurrage rates would have much effect. In the export movement the control of shipments to port and the better coordination of rail and ship movements now secured through the Office of the Coordinator of Emergency Export Programs

have largely eliminated the extraordinary port delays to which coal cars and boxcars were at times subject during the war.

From the side of the railroads, further improvements in handling and dispatch are possible, though average turn-around in October of last year was the lowest of any October on record, or 12.43 days per car. The 1946 figure for the month was 13 days, and the previous low in 1941 was 13½. Of course turn-around does not tell the whole story, since an increase in short-haul traffic will reduce average turn-around without any improvement in efficiency taking place. Turn-around figures did not break any records during the war because the average length of haul increased considerably. In some ways a more revealing measure is car miles per freight-car day. This index, which ranged between 24 and 33 in the interwar period, reached 49.7 for the first 7 months of 1944, the best war year. For the comparable period of 1947 it was 44.9 as against 41.1 in 1946.

Taking half a day off the average turn-around time of all freight cars is equivalent to adding some 80,000 cars to the total car population. This is as large an addition as can be hoped for next year from the excess of production over retirements. It is clear that increased effort by railroads and their customers to speed up the handling of cars is the most promising remedy for the car shortage over the next few months. The railroads have recently filed an agreement with the Interstate Commerce Commission, designed to avoid excessive car delays, which may be helpful in this regard. The agency controlling exports can make a major contribution by controlling procurement to give maximum relief to transportation, as explained further below.

V. THE EFFECT OF RAILROAD REVENUES

The railroads contend that both their car repair and their utilization programs are affected by their financial position. Special efforts to expedite repair and improve turn-around are costly. They involve such items as overtime rates for labor, extra capital expenditures for maintenance and repair, larger servicing crews to provide stand-by capacity for peak loads, and the like. The railroads point out that in an inflationary period like the present an industry which depends on the slow process of appeal to regulatory bodies for rate increases is inevitably caught between rapidly rising costs and lagging revenues. When net receipts are inadequate, as at present, the economies the railroads feel forced to adopt are bound, they say, to be reflected in lower operating efficiency.

It is peculiarly difficult to appraise the quantitative importance of the effect of this state of affairs on operating efficiency. Some analysts point out that measures which will increase net revenue are in the railroads' interest whether earnings are high or low, that the availability of cash is not currently an important restriction since working capital is easily obtainable at low rates, and that the railroads have an interest in exaggerating the importance of this effect as part of their case for higher rates. On the other hand there can be no question but that many railroad operating officials are genuinely convinced that their net revenues do affect their operating efficiency, and in many cases the retrenchment which results from low revenues is bound to have some effect.

In any case it is reasonable to suppose that delay in reaching decisions on rate appeals contributes to the uncertainty of railroad management and results in the postponement of some expenditures affecting efficiency. The two interim rate increases recently granted, totaling 20 percent, should go far toward removing any financial obstacles to operating efficiency.

VI. ADMINISTRATION OF EXPORTS

The method by which the European recovery program is administered will have an important influence on car utilization. Where actual procurement is done by a Government agency, and even where private procurement is guided and controlled by monthly programs established centrally, an awareness of the transportation problem can make a great deal of difference. Sudden or spasmodic procurement leading to unpredictable emergency demands for cars at some times and slack demands at others can produce unnecessary congestion and confusion and lead to serious wastes of car time. Similarly, procurement without regard to ease of transportation to port has frequently in the past produced unnecessarily long or difficult hauls and even cross-hauling of commodities. It is essential that transportation plans be made far enough in advance so that rail and ship movements can be coordinated to avoid port delays, and so that the railroad agencies can plan routing to put cars in position to handle peak loads promptly. This regard for transportation considerations in the planning of exports is the principal contribution which the agency which administers the export program can make to the easing of car shortages. The committee has already recommended locating export control powers in the new agency.²

VII. INCREASED USE OF ROAD AND WATERWAY FACILITIES

As noted above, both trucking facilities and inland-waterway equipment are currently adequate to handle the burdens being placed upon them. The question arises, however, as to whether the shortage of freight cars could be alleviated by any measures taken to shift export or other traffic from the rails to roads and waterways.

The following table compares the volume of traffic carried by the railroads with that carried by waterways, pipe lines, and trucks in the prewar period and in recent years.

TABLE VIII.—*Ton-miles of freight carried by the four major transportation agencies*

[In billions of ton-miles]

	1939		1942		1944		1945	
	Ton-miles	Per-cent	Ton-miles	Per-cent	Ton-miles	Per-cent	Ton-miles	Per-cent
Railroads ¹	336	62	645	71	746	70	688	68
Waterways ²	96	18	149	16	139	13	143	14
Pipe lines.....	65	12	84	8	132	12	133	13
Motortrucks.....	43	8	50	5	49	5	50	5
Total.....	540	100	929	100	1,067	100	1,014	100

¹ Includes mail and express.

² Excludes coastwise and intercoastal.

Source: National Resources and Foreign Aid—Report of J. A. Krug.

³ See Preliminary Report No. 8 of the Select Committee on Foreign Aid (Proposed Principles and Organization for Any Program of Foreign Aid).

As the table indicates, there was a substantial increase in the share of the traffic being carried by the railroads during the war. The total tonnage carried increased in all categories but the increase on the railroads greatly exceeded that on the other carriers. Since the war the proportions have been moving back toward normal with the exception of pipe-line traffic, which is expanding far above prewar levels. The figure given above for waterways does not include coastwise and inter-coastal shipping. As the following table shows, this is the one form of domestic transportation which showed a sharp decrease in tonnage carried during the war and which has not recovered to anything like its prewar volume.

TABLE IX.—*Tons of freight carried between United States ports*

(In millions of short tons)

1939-----	151	1945-----	91
1942-----	74	1946-----	103
1944-----	71		

It is doubtful whether any great relief can be looked for from a further direct shift of export freight from the rails to other modes of transportation. Over 70 percent of the export tonnage is in bulk items like coal, grain, and fertilizer. An attempt to move any considerable tonnage of these items by truck would be inefficient and uneconomical. With respect to coal, the mines are so situated that inland water transportation is not generally available.

The use of the Great Lakes plays an important role in the movement of export grain. The burden on the railways has been considerably relieved this year by concentrating shipments from the producing areas for export in the months during which the Lakes are open for navigation, and thus avoiding the long all-rail haul to eastern ports. There is ample elevator capacity at the lower lake ports and along the eastern seaboard where grain can be stored if heavy fall ocean shipment and foreign stock piling are regarded as undesirable. When procurement is delayed until the winter months when this route is closed, as happened in 1945 and earlier years, there is an additional strain on the rails.

There is, however, a limit to how far early lake shipment of grain can be pushed since it comes at the seasonal peak of demand for cars, when they are badly needed to get the grain off the farms. The more cars are used to haul grain from terminals to Chicago and other upper lake ports the fewer are available to collect it from country points for terminal storage. It is doubtful whether this year's experience can be bettered significantly by this means.

The export petroleum movement is very small relative to domestic movements. Under the State Department's proposals only 1.8 percent of anticipated American production of petroleum would be exported. The maximum possible use of pipe lines in distributing petroleum within the United States will, of course, relieve the tank-car shortage, but this is not something an export agency can affect significantly. An agreement has been reached this year to keep the Illinois waterway system open during the winter by the use of ice breakers. Since a good deal of petroleum moves by this route, this should help the domestic situation for the next few months.

The export movement would, of course, benefit indirectly from any steps which would relieve the car shortage by shifting some domestic

freight to road, water, or pipe-line carriers. Since this is essentially a short-run problem, such shifts would have to be made quickly. The most obvious possibility is revival of coastwise and intercoastal shipping. Unfortunately, this depends in part upon factors which are extremely difficult to adjust in time to be of any help.

The basic cause of the failure of domestic shipping to revive has been an increase in costs much greater than that experienced by competing carriers. The biggest element in this increase is a remarkable expansion of loading and discharge costs resulting partly from wage increases for longshoremen and partly from the resistance of the unions to the introduction of labor-saving and cost-reducing practices.

The shipping lines have appealed for increases in rates to cover these costs. Unfortunately coastwise and intercoastal shipping is highly competitive with the railroads, and an increase in shipping rates sufficient to make vessel operation really attractive under present cost conditions and rail rates would involve a loss of traffic to the rails. The railroads have themselves appealed to the Interstate Commerce Commission for a rate increase of 35 percent over the levels in effect in 1946. Interim increases averaging about 20 percent have already been granted against this request. The granting of the full 35-percent increase in railroad rates would undoubtedly increase the demand for coastwise and intercoastal shipping and thus take some burden of this long-haul traffic off the railroads. This diversion would occur even if some rate increases smaller than those granted the railroads were applied to the shipping movement.

Whereas these differential rates might provide a real stimulus to domestic shipping, the reduction in the burden on the rails would probably not be quantitatively very significant. Any revival of coastwise general cargo shipping would take some time, since the principal companies engaged in these services prewar have dissipated their staffs, their equipment, and their connections and are not in general engaged in these trades. There are a number of companies operating Government-owned vessels in the intercoastal services whose operations would undoubtedly expand significantly if differential rates became more favorable. A 50-percent expansion in intercoastal traffic, however, would involve an amount of cargo which is small relative to total rail loadings. Furthermore, a substantial proportion of this cargo would require rail movement at both ends, reducing the net relief to the rails.

The really fundamental cure for this situation is a genuine reduction in costs, especially loading and discharging costs. This will require the construction and installation of new types of cargo handling equipment and possibly of vessels. These changes might produce quantitatively a much more significant volume of coastwise and intercoastal cargo movement, but they will unfortunately take time and cannot be counted upon therefore to relieve the immediate situation. The establishment of rate differentials to encourage even a modest increase in intercoastal traffic is nevertheless highly desirable, partly because any reduction in the burden on the railroads is worth pressing, however small, and partly because this will provide employment for additional vessels required to be maintained for purposes of national defense.

Even with the stimulus of changes in rate differentials, it is unlikely that the companies engaged in intercoastal shipping will pur-

chase the Government ships they are now operating. Unless the Maritime Commission's authority to charter vessels for domestic service at low rates is extended, intercoastal shipping will probably decline below its present low levels.

VIII. ALLOCATION OF CARS TO ESSENTIAL USES

Priorities were never applied to railroad transportation during the war. Special car allocations for military and preferred shipments, e. g., oil to the east coast by tank cars, were effected by Office of Defense Transportation orders. It is the view of competent observers in the railroad industry that the application of mandatory priorities is almost certain to reduce rather than increase efficiency of car utilization because it introduces arbitrary rigidities into a very complex problem of railway management. It is impossible to formulate a set of priority regulations which will be appropriate to every one of the infinity of loading, routing, and other conditions met with daily in the operation of a railroad.

The problem of securing an equitable distribution of a short supply of cars among essential users has been met in the past chiefly through the informal action of the railroads and the expediting activities of the Association of American Railroads. The method of meeting spot situations as they arise, expediting special movements from time to time, investigating individual trouble spots and applying specific remedies to them, is undoubtedly the best method of dealing with whatever car shortage is inevitable after every effort has been made to increase production, repair, and utilization.

Many types of informal action are possible. For example, Mr. Steelman's office in November secured the agreement of General Fleming of the Federal Works Agency to examine proposed new road-building projects with a view to postponing some of the less urgent ones in order to conserve open-top cars used in hauling materials. Many individual railroads faced with car shortages apply measures of their own for limiting less essential uses of cars. The car service division of the Association of American Railroads keeps a sharp lookout for developing trouble spots and tries to arrange for car supply in critical situations.

If car production, repair, and improved utilization are pushed forward vigorously these informal methods should suffice to insure the movement of essential export and domestic freight.

Some machinery is probably desirable such as that provided by the ODT through which the executive and legislative branches of the Government can communicate to the railroad agencies their views as to the relative importance of different programs. But if all goes well, no administrative or mandatory powers need be exercised by the executive branch. On the other hand, if the situation deteriorates by next fall and voluntary action appears to be failing badly, use may have to be made of the ODT's powers of car allocation and control renewed in Public Law 395, with all their recognized disadvantages.

IX. PORT CAPACITY

As has been seen, the principal abnormal elements in the export program will be grain and coal for the next few years. The tonnage of general cargo for export excluding these two items is unlikely greatly to exceed the normal prewar commercial movement. It can be assumed, therefore, that the only serious problems of port capacity will arise in connection with the movement of these two commodities.

The table at the end of this section gives estimates by coastal area of the capacities of the principal ports equipped to handle bulk grain and coal. These figures, based on material furnished by the Office of the Coordinator of Emergency Export Programs, estimate practical as well as theoretical capacity. The practical capacity estimates are based upon actual experience making allowances for probable delays, interruptions, break-downs of equipment, seasonal shortages of cargo, and so forth, rather than upon computations of what could theoretically be achieved if everything went smoothly and abundant cargo were always available.

It is obvious from past experience that port capacity will not be a limitation on grain export. During the third quarter of 1947 wheat and flour were shipped from United States ports at an annual rate of 20,408,000 tons. It is quite apparent that there will not be sufficient grain available for export to support anything like this rate of movement in the future.

Coal exports will be pressing much more closely against the port capacity ceiling. In August this year a level of export for all overseas destinations of 5,038,000 tons was achieved. If this could be maintained throughout the year, 60,000,000 tons a year could be shipped to all destinations. Areas other than Europe are unlikely to require more than 8,000,000 or 9,000,000 tons a year at the most. This would leave over 50,000,000 tons for European destinations. The maximum amount estimated by the CEEC as required for western Europe from the United States is 41,000,000 tons in 1948. However, as suggested in the Select Committee's Preliminary Report No. 7 (Coal Requirements and Availabilities), failures either of European production or of imports from Poland would increase these requirements.

It is very doubtful whether the 5,000,000-ton monthly rate of export through the ports achieved in August could be maintained throughout the year. Weather conditions in winter slow down the rate of loading and one must expect some interruptions from strikes, break-downs of equipment, etc. Therefore, to achieve the practical figures given in the table below, the highest degree of coordination will be necessary among the agencies of procurement, rail transportation, licensing, and ocean shipping.

TABLE X.—*Estimated average monthly port capacity for export movement of grain and coal*

[In thousands of long tons]

	East coast	Gulf	Pacific	Total
Theoretical capacity for bulk grain ¹	960	435	230	1,625
Practical capacity for bulk grain ²	470	425	125	1,020
Practical capacity for bagged grain and products ³				500
Total practical capacity for grain and products.....				1,520
Theoretical capacity for coal ¹	7,020	1,080	207	8,307
Practical capacity for coal.....	4,176	765	135	5,076

¹ Theoretical capacity of loading equipment assuming no break-downs or interruptions, abundant supply of cargo continuously available at all facilities, and no use of facilities for other than export movement.

² Allows for (1) probable interruptions at port; (2) effects of shortages of cars; (3) probable shortages of cargo typical at certain seasons and at certain facilities; (4) use of facilities for domestic movements. Based upon actual experience.

³ Bagged grain can be shipped from any facility capable of handling general cargo. This figure is thus limited not by port equipment but by bagging facilities, proportions customarily bagged, and the like.

Source: Based upon information supplied by the Office of the Coordinator of Emergency Export programs.

PART 2.—THE EUROPEAN RECOVERY PROGRAM AND OCEAN SHIPPING

SUMMARY: THE ISSUES

The ocean shipping problems raised by the European recovery program fall into two groups: Those concerned with dry-cargo shipping and those relating to tankers. The nature of the problem is entirely different in these two fields and they can therefore most usefully be discussed separately.

1. *Dry-cargo ships*

There is no question of the availability of sufficient bottoms throughout the world to carry any conceivable dry-cargo shipments which may arise under a recovery program. The principal issues in this field revolve around the question of whose ships are to get the business.

Alternative proposals range between two extremes. On the one hand, there are those who argue that provisions should be written into the recovery program legislation requiring that all cargoes financed under the program should be carried in American-flag vessels. If all of the United States-owned ships now in lay-up are put into operation, nearly the whole program could probably physically be handled. In the absence of legislation requiring this, however, a proportion dwindling from about a half, the present ratio, to something considerably smaller will probably be carried. This will be the natural result of two factors: (1) the desire of the importing countries to conserve dollar exchange, and (2) the very much lower operating costs of all foreign-flag vessels.

At the opposite extreme is the proposal that a large number of American-owned vessels should be transferred to foreign countries by sale, charter, or gift. The more extreme proponents of this view hold that no attempt should be made to maintain American flag vessels in the bulk-carrying trades, and that our proportion of the general cargo liner business should be permitted to settle to its competitive level. The State Department has proposed the sale of 200 ships and the charter of another 300 to foreigners.

There are many intermediate proposals such as that of the Harri-man committee that no restrictions be placed on the vessels to be used in moving relief cargoes but that no further dry-cargo vessels should be transferred to foreign flag except in exchange for corresponding reductions in foreign ship construction. Under this plan foreign countries would be required to make substantial use of American ships in the immediate future because they do not have fleets capable of carrying more than a fraction of their imports. As their fleets expand through new construction, they would presumably gradually drive United States unsubsidized tramp fleets off the seas leaving the United States with whatever part of the liner traffic could be retained in open competition, assisted by the subsidies provided for in existing legislation.

The issues around which the choice among these alternatives revolves are simple. The principal factor favoring a policy of maximum use of foreign-flag tonnage is the saving in dollar costs to the importing countries and indirectly to the United States taxpayer which would result. On the other side it is argued that United States national interest requires the preservation of a healthy and active American merchant marine. There are many reasons why this is regarded as desirable, but the most cogent argument is probably that our national security requires that we have available, in case of emergency, a large fleet of vessels and a large reserve of trained seamen to man them.

It is further argued that to transfer United States flag vessels now will throw American seamen out of work. However, as is shown below, this is largely a question of timing, since no one believes that our present level of maritime employment can be maintained for more than a few years under any policy, and there is something to be said for taking the contraction now when alternative employment is readily available. A more important question is whether, in view of the fact that the abnormal shipping demand will last only a brief period, the extensive costs and complications of transfer would be worth while.

A further issue which arises under any of these alternative policies is the question of whether the building programs of the European nations are too ambitious in view of the world surplus of shipping and the extreme shortage of steel for all kinds of high-priority uses. The United States Government has enough idle ships to supply Europe, if desired, with ample tonnage to carry a major part of their needs without requiring a European shipbuilding program of anything like the size proposed in the report of the Committee of European Economic Cooperation. If it is intended that most of the shipping business be retained for the United States, the case against European construction is even stronger. On the other hand, it is argued that shipbuilding has long been the lifeblood of certain European countries, that it is one of the things they can do best in exchange for United States raw materials and that the human and other resources engaged in shipbuilding are so specialized that they could not easily be transferred to other activities and would merely be unemployed if ship-construction programs were cut back.

A final issue relates to the question of how shipping can be most effectively administered so as to avoid the temporary gluts and temporary shortages which experience indicates are likely to result from

a rapidly changing recovery program. This question cannot, of course, be answered until the more fundamental issues of policy described above have been settled. It is a particularly acute question only if it is decided to retain by legislation or further subsidy a major part of the world's tonnage under the American flag.

2. Tankers

The tanker problem differs from the dry-cargo problem in that there is currently a physical shortage of vessels to carry the world's petroleum requirements. Future requirements are, of course, a matter of estimate, but it is generally believed that this shortage will persist through 1951 unless tanker construction is stepped up above present plans. The shortage is a result of extraordinarily expanded petroleum requirements. This expansion is most dramatic in the United States where the pressure on tankers has been intensified by the inability of production from the midcontinent fields to keep up with demand in the central sections of the country. It is also marked, however, in Europe where fuel is the key to the recovery of production and where shortages of coal have hastened the process of substitution.

The problem of whose shipping is to carry the available tanker cargo is much less acute than in the dry-cargo field. It is rather generally accepted that American flag tankers can operate effectively in normal times only in the coastwise trade and to some extent in the American import trade. The bulk of Europe's oil will come in the future from the Middle East. American flag tankers cannot easily be kept employed in the trade between the Middle East and Europe, partly because of high operating costs and partly because of the unwillingness of American seamen to serve on vessels which seldom touch American ports.

The problem of maintaining a fleet for national defense is likewise somewhat different in the case of tankers, since the world's principal oil reserves, outside the Western Hemisphere, are under the control of companies which are international in character. It will do the United States little good to control additional tankers without the control of the sources of oil which they might transport. Tankers under the flag of nations whose oil companies cooperate closely with the United States constitute, therefore, a second line of defense in tanker transportation.

In spite of these considerations, there is still in some quarters strong opposition to the transfer to foreign flag of tankers admittedly excess to our own domestic requirements. This is based partly on a recent temporary shortage of tankers to meet United States requirements and partly on the view that national defense cannot be based upon the assumption that the fleets of nations now friendly will always be available to the United States.

There are several ways in which measures might be taken to eliminate or modify the tanker shortage. The most obvious is, of course, by the construction of more tankers. Some shift in European shipbuilding programs toward more tankers and less dry-cargo vessels is one possibility. Another is the construction in American yards of a fleet of modern tankers incorporating national-defense features specified by the Navy. The expansion of facilities for overland petroleum transport, especially pipe lines, can go a long way to meet the problem. The completion of the trans-Arabian pipe line,

which would eliminate the long tanker voyage down the Red Sea and up the Persian Gulf, would save many ship-days. Expediting American pipe-line construction will also have a very beneficial effect.

Coastwise vessels

It is generally recognized that Europe needs coastwise vessels badly to assist in intra-European trade. The United States has some surplus vessels of these types which are being transferred, and foreign construction programs will provide some relief. The German fleet, which performed a considerable part of these services before the war, has been largely dispersed through destruction and reparations removals; but a nucleus remains in German hands which might be expanded under appropriate supervision and safeguards.

Recommendations

1. The Congress should explicitly state in the legislation establishing the European Recovery Program that no arbitrary restrictions are to be placed on the division of cargoes to be carried among vessels of various flags. Some specific statement of policy in this regard is required in order to avoid confusion resulting from conflicting interpretations of existing statutes. Any attempt to require that a specific percentage of recovery-program cargoes must be carried on United States flag vessels, if it is effective in increasing that percentage, will first increase the cost of the program; second, greatly increase the difficulty of administration; and third, render the coordination of rail and water transport more difficult, thus reducing the total capacity of our ports without producing any long-term benefit for the United States merchant marine.

2. The Ship Sales Act should be extended for at least another 2 years beyond February 28, 1948, to permit continued Government operation and charter of both dry-cargo and tanker vessels. In the case of tankers it may be possible to dispose of virtually all of the Government-owned tankers to private buyers before the expiration of the present act; but the authority of the Government to operate and charter must be continued in case it is needed. In the case of dry-cargo vessels it will clearly be impossible by February 28, 1948, to place enough dry-cargo ships in private hands to handle world requirements.

3. The Ship Sales Act should be amended to authorize the Maritime Commission to offer vessels under bare-boat charter to foreign operators. This should be done in order (1) to reduce the dollar freight cost to the importing nations and thus to the United States taxpayer, (2) to retain in the hands of the United States Government ultimate control over tonnage which may be needed in time of emergency, and (3) to permit the Maritime Commission by the insertion of appropriate clauses in the charter to prevent any bulk-cargo vessels transferred abroad from engaging in cutthroat competition with the established liner companies in periods of temporary ship surplus. The Maritime Commission should be permitted to make such charters to foreigners only for the carriage of bulk cargoes. Authority for such charter should not extend beyond the period of abnormal bulk-cargo movement. A foreign-charter operation conducted along these lines would be entirely consistent with our long-run merchant-marine policy as expressed in the Merchant Marine Act of 1936 and recently

reaffirmed by the President's Advisory Committee on the Merchant Marine.

4. Before entering into such charter arrangements with the nationals of any European country, the United States Government through the appropriate agencies should negotiate with the government concerned for some reduction in its dry-cargo shipbuilding program. Charter of United States vessels should be regarded as a means by which the European nations can in the immediate future provide the shipping services they plan to furnish without drawing heavily on scarce supplies of steel, manpower, etc., to build new tonnage. It should not be regarded as a means whereby they can permanently increase their fleets. The types of vessels available for charter will not be as well suited to the purposes of the European countries as the new tonnage they now plan to construct. Even if charter rates are attractive, therefore, this substitution of charter for construction will involve them in some sacrifice. They should be asked to make this sacrifice as part of the over-all recovery program.

5. The number of vessels to be chartered foreign should depend upon the rate at which vessels can be transferred to foreign flag without withdrawing a large number of vessels from operation for repair and resurvey at one time. Adequate provision for funds and personnel to carry out such a transfer program should be made to the Maritime Commission. The number of United States-owned vessels under charter for foreign-flag operation should not be increased after July 1, 1949, and should be gradually reduced as the volume of bulk cargo movement falls off. The figure of 500 ships proposed for transfer to foreign flag by the State Department is far too high to meet the above conditions.

6. In view of the certainty that under any shipping policy the size of our active merchant marine will inevitably shrink sharply over the next few years, immediate attention should be given to ways in which we might maintain a reserve of trained merchant seamen capable of manning our reserve fleet in time of emergency.

7. This reduction in shipbuilding plans should not be applied to tankers. Indeed, the European countries should be encouraged to expand their tanker production above presently planned levels in view of prospective shortages of tankers to meet world requirements.

8. A vigorous new program of tanker construction in American yards for the account of American companies should be launched at the earliest possible moment. This program should be developed in cooperation with the Navy to insure that the new vessels incorporate national defense features. Whenever, in the judgment of the Maritime Commission, the Navy, and the Department of the Interior, the United States owned and controlled tanker fleet exceeds that necessary to supply American requirements with a substantial margin of safety, additional tankers of the older and slower types should be offered for sale to foreigners in order to reduce the dollar costs of European petroleum imports.

9. Whether charter of dry-cargo vessels to foreigners is permitted or charter is restricted to United States citizens, the Maritime Commission should adopt a plan designed to maintain flexibility in the availability of tonnage to meet changing requirements. Under existing procedures a temporary surplus of shipping is likely to lead to the return to the Commission of numbers of vessels which are then placed in lay-up where they are not easily accessible when ship requirements rise again. It is to be expected that fluctuations in the availability of cargo, changes in governmental policy, etc., will produce variations in the demands for shipping greater than are experienced in normal times. The Commission should maintain a working reserve of at least 100 bulk carriers for ready availability. The Commission should be provided with the funds necessary to administer such a program effectively.

10. The Maritime Commission's authority to sell war-built dry-cargo vessels should be renewed to permit disposal to foreign countries of such surplus coastal-type ships as remain available. These vessels, clearly noncompetitive with American ships, are badly needed in European waters.

11. The United States should continue to press for acceptance of its view that all German coastal-type vessels not already transferred as reparations should be retained by Germany to meet German needs. Authorization for construction in German yards of additional special types for local traffic should be given serious consideration.

12. Should it be decided that the transfer program recommended above is unwise for national defense reasons, or that for the same reasons the carriage of a larger proportion of the recovery program in American vessels should be required, the additional cost of such provisions should be made a part of the defense budget and not of the recovery program appropriation.

I. DRY-CARGO REQUIREMENTS

For some years to come exports from the United States will be the controlling factor in determining shipping requirements to carry United States foreign trade. With a few exceptions, our import requirements will be less than enough to fill vessels homeward bound from export voyages. Imports will be controlling in such special cases as bauxite from the Guianas and bulk cargoes from the west coast of South America, but the principal tonnages determining the employment of ships in the United States trade will be exports.

The principal thing to note about our prospective future exports is that it is most unlikely that they will exceed in total tonnage for many years to come the levels reached during the first three quarters of 1947. The following table shows exports of coal, grain, and other dry cargo in the recent past as compared with prewar:

TABLE I.—*Dry-cargo exports from the United States*

[In millions of long tons]

	1938	1946 ¹	Annual rate ² first 9 months ³ 1947
Coal and coke.....	1.1	19.3	43.1
Grain and grain products.....	5.2	10.6	17.6
All other.....	17.2	21.2	28.8
Total.....	23.5	51.1	89.5

¹ Including shipments on Army-owned and Army-chartered vessels for government and relief in occupied areas and other foreign aid; but excluding military shipments.

² Projecting the annual rate for 1947 on the basis of the first 9 months probably results in an overstatement of export tonnages. In the first place, exports in all categories during the first 9 months of 1946 appear to have run closer to 80 percent of the year's total than to the 75 percent assumed for statistical purposes in projecting the 1947 figure. In the second place, the striking increase in grain exports may represent a concentration of such movements in the early part of the 1947-48 crop year (together with the concentration of shipments in the latter half of the 1946-47 crop year) rather than a steady monthly rate of shipments. Similarly, coal export targets were decreased for October, November, and December from the record shipments reached in August and September.

Actual tonnages exported for the first 9 months of 1947 are as follows:

*In millions
of long tons*

Coal and coke.....	32.3
Grain and grain products.....	13.2
All other.....	21.6
Total.....	67.1

Sources: Bureau of the Census; Department of the Army, Office of the Chief of Transportation.

It will be noted that coal and grain make up almost 70 percent of the total tonnage in the recent movement. This is a wholly abnormal state of affairs, which did not exist in the prewar period and is not likely to continue in the future. Except in isolated cases the United States has never supplied Europe regularly with coal in the past and is unlikely to do so in the future once European coal production returns to normal.

The coal import requirements from the United States, submitted by the Committee of European Economic Cooperation and accepted by the State Department, decline from 41 million tons in 1948 to 6 million tons in 1951. In the case of cereals the position is less clear since total European requirements remain high. On grounds of availability, however, it is not expected that more than 8 or 9 million tons of grain per year can be supplied. The State Department has proposed 5½ million tons of bread grains for 1948-49. This is less than half the rate of export of the first 9 months of 1947.

During the first three quarters of 1947 water-borne dry-cargo exports from the United States, including supplies for occupied areas, were about 67 million tons of which roughly 13 million were grain and 32 million were coal. This leaves about 21 million tons of general cargo excluding the abnormal grain and coal movement. Converted to an annual rate, this general-cargo figure amounts to 29 million tons. Total oversea dry-cargo exports averaged about 25 million tons before the war and have been predicted by the Department of Commerce at about 34 million tons for a normal postwar year. Thus apart from grain and coal regular dry-cargo exports are now at something like the level which may be expected to continue as the world returns to normal. On the other hand, there will be a brief period during which a very heavy burden of bulk cargo will have to be handled.

The following table shows the requirements for shipping tonnage prepared by the CEEC:

TABLE II.—*Tonnage of dry-cargo shipping estimated by CEEC countries to be required by them*

[In millions of dead-weight tons]

1947.....	42. 1	1950.....	41. 0
1948.....	43. 1	1951.....	40. 5
1949.....	41. 8		

NOTE.—These figures are lower than those given as requirements in the CEEC report. They have been adjusted to remove double counting.

These requirements, which are in terms of dead-weight tons for shipping continuously employed, cover the shipping needed to carry Europe's essential import and export trades and also contain an allowance for the provision of European flag shipping in the trades between third countries in accordance with normal practice. The European nations did not feel, in view of the uncertainties of cargo availability, finance, and so forth, that they could give any break-down of the precise routes on which this tonnage would have to be employed. It is rather clear, however, that they anticipate that imports from the United States will decline substantially over the next 4 years, especially in the bulk cargoes, and that the failure of the total requirements to decline similarly is explained by a projected increase in Europe's trade with other areas.

II. AVAILABILITY OF DRY-CARGO TONNAGE

The following table shows the merchant fleets of the participating countries in 1938 with estimates for the 5 years 1947 through 1951.

TABLE III.—*Dry-cargo merchant fleets of the participating countries*

[End of year; in thousands of dead-weight tons]

	1938	1947	1948	1949	1950	1951
Austria.....						
Belgium.....	403	450	540	630	780	¹ 900
Denmark.....	1,360	1,230	1,300	1,460	1,650	1,960
Eire.....	44	50	80	100	100	100
France.....	2,411	2,430	2,760	2,950	3,180	3,490
Greece.....	2,855	2,300	2,490	2,680	2,800	3,050
Iceland.....	10	20	30	30	40	40
Italy.....	2,758	2,410	2,550	2,770	2,920	3,070
Netherlands.....	2,233	2,450	2,530	2,590	2,660	2,690
Norway.....	3,766	3,180	3,480	3,780	3,900	3,800
Portugal.....	168	300	380	410	440	470
Sweden.....	1,918	1,950	2,000	2,040	2,080	2,130
Switzerland.....		50	60	60	60	60
Turkey.....	151	150	190	230	270	300
United Kingdom.....	17,970	15,050	15,350	15,850	16,450	17,150
Totals.....	36,067	32,020	33,740	35,580	37,350	39,210

¹ This is a Belgium-Luxembourg figure of which the Belgian portion is about 600.

The German fleet in 1938 was some 6.3 million dead-weight tons. There is, of course, currently no German flag fleet in foreign trade. Of the total tonnage owned by the participating nations in 1938 some 62 percent of 22 million gross tons was sunk. Much of this tonnage has already been replaced and, as the above table shows, the participating countries plan to replace all of it by 1950.

The most striking development of the war in shipping was, of course, the phenomenal expansion of the United States flag fleet, which is, including the thousand-odd vessels laid up, over half the world's shipping tonnage.

The following table compares the total European fleets in 1938 and the estimates in table III above for 1947 and 1951 with the active United States flag dry-cargo fleet in the same 3 years. The 1951 estimate for the United States fleet is an official Maritime Commission estimate, which is somewhat higher than those of some other forecasters. It should be noted that during 1947 the United States operated a fleet two-thirds as large as those of all the European countries put together, whereas before the war the United States was only able to keep 15 percent as much tonnage as the Europeans in service; most optimistic forecasts predict that in the long run the United States will not be able to maintain more than 20 percent of the tonnage the European countries will be operating.

TABLE IV.—*United States and European dry-cargo merchant fleets*

[In millions of dead-weight tons]

	1938	1947	1951
European fleet total.....	36.1	32.0	39.2
United States active.....	5.2	21.0	¹ 7.3
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
United States active as percent of European.....	14.4	65.6	18.6

¹ Maritime Commission estimate of postwar fleet.

It is this fact which poses the principal problem for our shipping policy. As indicated in the above table, the participating nations hope to build in the next 4 years enough tonnage to provide necessary replacements and in addition to expand their dry-cargo fleets by over 7,000,000 tons. This will require a total of over 8,000,000 tons of building at a time when steel is in critically short supply all over Europe and when labor is scarce. Meanwhile, if this program is successful, the United States will be faced with the problem of laying up or scrapping increasing amounts of tonnage in addition to the 10,000,000 tons now idle in our rivers and harbors. If this program is carried out, the trend of requirements, foreign flag tonnage employed, and United States tonnage employed will be somewhat as shown in the following table.

TABLE V.—*CEEC estimates of requirements and availability of shipping*

[In millions of dead-weight tons]

	Require- ments	CEEC tonnage available ¹	"Dollar" tonnage required	
			United States	Other
1947.....	42.1	29.1	11.6	1.4
1948.....	43.1	32.8	9.1	1.2
1949.....	41.8	34.6	5.6	1.6
1950.....	41.0	36.5	3.8	.7
1951.....	40.5	38.3	1.7	.5

¹ Average tonnage available through the year.

The "dollar tonnage required" column in the above table shows the volume of United States and other "dollar" tonnage which the European nations think they will have to employ if they meet their

own requirements as fully as possible with their own tonnage. If no restrictions are placed on the ships to be used in carrying United States exports, it is to be expected that the European nations will employ their own tonnage to the greatest possible degree in order to save dollar exchange. By 1951, when more normal conditions may have been established, it is conceivable that the volume of United States tonnage employed might be higher than that shown in table V if by successful competition our shipping companies were able to take some business away from foreign flag operators. A consideration of relative costs suggests, however, that this will not be possible without the aid of very substantial subsidies to American shipping.

The difficulty which the Maritime Commission has to face in selling war-built vessels to United States citizens for American flag operation appears to reflect the view of American operators that the present demand for United States flag tonnage is a result of wholly abnormal conditions which cannot be expected to persist. Well over half the total dry-cargo fleet presently operating under the American flag consists of vessels owned by the Government and leased under bareboat charter to private operators. A much larger percentage of the vessels engaged in the trans-Atlantic trades are in this category. Most of these vessels are available for sale under the Ship Sales Act, but the demand for these ships appears to have been satisfied. The following table shows the disposition of the United States fleet (virtually all of which was under Maritime Commission control during the war) since VJ-day.

TABLE VI.—Disposition of U. S. Maritime Commission controlled dry-cargo vessels since August 1945 (VJ-day) (as of Nov. 1, 1947)

	Number of vessels	Percent of total, Au- gust 1945
Under U. S. Maritime Commission control VJ-day.....	3, 360	-----
Additions from construction, returned military, and lend-lease vessels, etc.....	1, 108	-----
Total.....	4, 468	100
Sold to foreign companies.....	885	20
Returned to foreign owners.....	142	3
Returned to United States private companies.....	414	9
Sold to United States private companies.....	370	8
Placed in laid-up fleet.....	1, 109	25
Bareboat chartered.....	1, 275	29
Lost, scrapped, and miscellaneous.....	147	3
Total.....	4, 342	-----
Balance in active status.....	126	3

This expectation of a declining demand for American flag vessels arises in part from the character of the cargoes expected to be available. As we have seen above, a major portion of our present exports consists of bulk cargoes like grain and coal customarily carried in so-called tramp vessels. The fast high-class services known as the "liner" trades constitute only a small part of the current demands for shipping. The competitive disadvantage of United States flag vessels which arises primarily from very much higher costs of operation (principally higher wage scales) is at its worst in the case of the slower tramp vessels where labor cost is a much larger proportion of total expenses. For example, the total pay of an able seaman on an Ameri-

can vessel is currently 355 percent of that of the corresponding British sailor. Furthermore, under existing legislation operating cost differential subsidies are available to United States liner operators to compensate them for this competitive disadvantage whereas no such subsidies are available in the bulk trades.

It is for these reasons, as well as the historical fact that in recent times American shipping has not entered the tramp trades to any degree, that the CEEC has estimated the division of American flag participation in the European import program between liner and bulk vessels as follows:

TABLE VII.—*CEEC estimates of requirements for United States flag dry-cargo vessels*

[Millions of dead-weight tons]

	Bulk	Liner	Total
1947.....	7.5	1.7	9.2
1948.....	6.3	1.7	8.0
1949.....	3.2	1.7	4.9
1950.....	1.7	1.7	3.4
1951.....	.0	1.7	1.7

It should be noted that the Maritime Commission's authority to charter vessels expires as of February 28, 1948. If the 1,275 dry-cargo vessels being operated under this authority as of November 1, are to continue in operation, one of three things must be done. These ships must be either transferred to foreign flag, or sold to American operators, or the Commission's authority to charter them must be extended. Since prospective American owners have had full opportunity to apply for these vessels and since as of September 30, 1947, there were only 53 applications outstanding, the prospects of sale of any considerable number to United States citizens are not bright.

The fact that the CEEC estimate of United States flag tonnage required in the European trade in 1951 is not unduly low is borne out by the Maritime Commission estimate of the same figure arrived at before the CEEC report was completed. The Maritime Commission believes that only 1.4 million tons of United States dry-cargo shipping is likely to be employed in the European trades in a normal postwar period as compared with the CEEC's estimate of 1.7 million. The decline of American participation from 11.6 to 1.7 million tons shown in table V reflects two factors: (1) the recovery of European fleets to their prewar size, and (2) the dramatic decline in the volume of bulk cargo expected to be moving between this country and Europe.

III: *Dollar Shipping Costs*

The question of the cost in dollars to the European nations and to the American taxpayer of transporting the goods involved in the European recovery program to Europe lies at the heart of the policy issue of whose ships should carry the goods. When an American ship carries a cargo to England the wages of seamen, administrative overhead, insurance, and other costs must be paid in dollars, but when a British vessel performs this service these expenses can be paid in British currency without any dollar outlay. Thus the proportion of the total freight cost which must be paid in dollars depends on the division of tonnage between flags. The CEEC made some estimates

of the probable dollar costs based upon the division of tonnage shown in table V. This table assumed that a small amount of dry-cargo shipping under the American flag as of July 1, 1947, would be transferred to foreign flag but apart from about a million tons of such transfers it assumed that no further shifts would be made of American ships to European registry. On this assumption dollar payments for United States flag dry-cargo shipping were estimated as follows:

TABLE VIII.—*CEEC estimates of dollar cost of procuring dollar dry-cargo shipping services*

[In millions of dollars]

	United States liners	United States tramps	Other "dollar" vessels	Total dollar freights
1948.....	102	329	63	494
1949.....	102	167	84	353
1950.....	102	89	36	227
1951.....	102	0	26	128
Total.....	408	585	209	1,202

The figure for liner freight in the above table may well be too low. It reflects an assumed freight rate on liner cargoes of about \$15 a ton. This figure clearly does not include stevedoring charges at either end and thus is not comparable with published tariffs. The figure for tramps, on the other hand, assumes an average rate of about \$12 per ton. This was the rate current early in 1947 but it reflected unusual conditions which may not recur. With increasing low-cost foreign-flag participation it is to be expected that the bulk freight rate will gradually drop. The Harriman committee has suggested that \$9 per ton would be a more reasonable figure. This revision would reduce the total bulk cargo freight cost to around \$440,000,000.

The dollar charges shown for "other dollar vessels" reflect the estimates of the CEEC as to the amount of freight which will have to be paid in the form of dollars to Panamanian, South American, and other foreign-flag shipping in order to secure its services. It may be that a considerable portion of these payments could be eliminated. It is entirely possible therefore that the total dry-cargo freight bill which must be paid in dollars will be, under these assumptions, below a billion dollars, particularly if some of the cargoes included in the plan are not available in the quantities proposed.

These total dollar costs will be changed if measures are taken to shift the division of traffic from that assumed in the CEEC report. Should some provision requiring a certain proportion of exports to be shipped in American vessels be written into the law, this would increase the dollar cost of the program in two ways. In the first place, the amounts of cargo on which freight would have to be paid in dollars would be increased, and in the second place, with the shipping market dominated by a larger proportion of high-cost American flag shipping, average freight rates would be held at a much higher level.

It is extraordinarily difficult to make reasonable estimates of the additional costs in dollars resulting when an American flag vessel is employed rather than a foreign flag vessel. The additional dollar outlay is less than the gross dollar freight payable because foreign

vessels have expenses in American ports which must be paid in dollars and American vessels have foreign port costs which are a source of dollar revenue for the importing country. A careful study has reached the conclusion that under current conditions about 75 percent of the freight rate on coal, for example, represents the net additional outlay in dollars required when a foreign country ships coal in an American vessel instead of in a vessel of its own flag. American flag vessels are currently carrying a little over 50 percent of the total coal moving to Europe. Should it be required that the entire coal program be shipped in American vessels, this would mean for 1948 an additional gross dollar freight bill of some \$200,000,000 (20,000,000 tons at \$10 per ton). If the 75 percent figure given above is correct, the net additional dollar burden on the importing countries for coal freight alone would appear to be \$150,000,000 in 1948. Additional amounts would be required for later years and for other commodities. Furthermore these estimates make no allowances for the higher freight rates that would undoubtedly result if American flag vessels were used.

To the extent that these freight rates were profitable, the additional cost to the United States taxpayer would be reduced through the recapture by the United States Government of a portion of the profits earned by American companies chartering ships from the Government. This factor would merely be enough to compensate in part for the higher freight rates which would undoubtedly result.

On the other hand, a transfer of American vessels to foreign flag over and above that contemplated in the CEEC report would result in a corresponding dollar saving. Since it is nowhere seriously proposed that we should transfer vessels required for the maintenance of our long-run liner services, we can assume that any such transfers would be limited to the bulk trades. The maximum saving possible here would be some 75 percent of the total dollar payments estimated by the CEEC as required for the carriage of bulk commodities. For the 4 years, 1948 through 1951, this would amount at most to some \$440,000,000. Transfers of smaller tonnages would involve proportionately smaller dollar savings. Actual dollar savings would probably be a good deal less than this for a number of reasons.

The estimates of savings from transfer of vessels to foreign registry given above make no allowance for the cost to the European countries of acquiring the ships. These estimates are thus appropriate if we are considering the transfer of ships as a free gift under the European recovery program. There are two other possibilities. We might sell these ships to foreign countries at the prices currently established by the Ship Sales Act. The sale of Liberty and Victory vessels would require no new legislation but merely a change in the existing policy of the Maritime Commission, which is to limit further transfers to foreign flag to a very small number of exceptional circumstances. Should this policy be changed to permit foreign sale, the buyers under existing legislation would be required to make a 25 percent down payment on each vessel the first year with the balance payable in 17 equal annual installments. The additional dollar outlays required under this scheme would reduce the maximum net dollar saving from 75 percent of the gross freight bill to about 55 percent during the first year.

Alternately, we might modify existing legislation to permit the bare-boat charter of Government-owned vessels to foreigners which is now prohibited. At currently prevailing rates of charter hire this would involve additional dollar costs to the European countries which would cut the net savings from 75 to about 65 percent of the gross freight bill, or a maximum of some \$350,000,000 for the 4-year period if we thus transfer all our bulk carriers.

This \$350,000,000 figure assumes that these vessels could all be transferred at once. Actually ships now under charter to American operators would have to be recalled, put in class with necessary repairs, resurveyed, and delivered after negotiation to foreign charters. Even if the Maritime Commission had ample facilities to handle these transfers expeditiously, it would take several months to accomplish them all. In fact, limitations on the funds and personnel available to the Commission would probably protract the process still further. Since much the largest part of the tonnage is to be moved during the first year it seems probable that this delay would cut the savings by another \$50,000,000 to \$100,000,000.

Finally, the 75-percent figure used in these calculations may be too high. It makes no allowance, for example, for the dollar repair costs of foreign vessels in this country. Allowing for all these factors a reasonable estimate of the dollars which might be saved by transferring under charter enough tonnage to foreign flag to carry all our bulk exports would probably run between \$200,000,000 and \$300,000,000.

Thus, under existing policies, the total dry-cargo dollar freight cost will be around \$1,000,000,000. Under one extreme of forcing virtually exclusive use of United States ships this might be increased by as much as \$400,000,000. Under the other extreme of transferring to foreign flag free of charge enough tonnage to carry all but our share of the liner cargoes it might be reduced by as much as \$300,000,000. Intermediate policies would have intermediate effects.

In considering the practicability of these alternatives some estimate must be made of the extent to which the European countries would be willing to buy or charter vessels, if permitted to do so. It is doubtful whether a mere relaxation of the Maritime Commission's present reluctance to sell foreign would result in the transfer of a great number of additional vessels. Our more desirable types of dry-cargo vessels, such as the so-called "C types," are not available to foreigners in any quantity under the Ship Sales Act. The European countries have already bought large numbers of Libertys and Victorys and it is doubtful whether they regard these types as sufficiently promising long-term investments to justify their purchase at current prices.

Of the total of 732 major dry-cargo types approved for foreign sale up to September 30 this year, the 16 European countries have bought 432. There were, as of this date, applications on file from foreigners for 497 more of these major types of which the 16 European countries were requesting 247. Forty-five or fifty of these requests were for types not available leaving an apparent total demand of about 200 vessels, excluding coastwise types and tankers. The number that would actually be purchased, if these applications were approved, is undoubtedly substantially less than this. In their projection of

their own merchant fleets the European nations have assumed that approximately this number of additional vessels would be transferred. Thus, it appears doubtful whether a major transfer would take place if more tonnage at existing prices were offered for sale.

On the other hand, it seems likely that there would be a considerable demand for tonnage for charter if this possibility were opened up to foreign operators. At present rates, which are supported by the high level of American-vessel operating costs, bare-boat charter would be highly profitable to foreign operators. Indeed, they could continue to operate profitably at rates as much as 25 to 30 percent below current levels. The resistance to purchase is based upon a well-founded fear that the demand for tramp tonnage will fall off sharply after a few years. Bare-boat charter, which does not involve a long-term commitment, is not subject to this disadvantage.

IV. THE EUROPEAN RECOVERY PROGRAM AND AMERICAN SHIPPING POLICY

The above discussion of the costs involved in various different policies with respect to the use of shipping in the recovery program gives some idea of the financial considerations involved. Were these the only factors to be taken account of, it would appear that the transfer in one way or another of the maximum number of vessels to foreign-flag operation would be desirable, since the American taxpayer would thereby be saved several hundred million dollars. The same point can be put another way. The purpose of the recovery program is to put Europe back on its feet economically so that it can support itself. Certain of the European nations, such as, for example, England, Norway, and Greece, have always depended very heavily on the provision of shipping services as a way of paying for their imports. To assist their shipping to revive is one way of helping them to help themselves and thus to reduce the extent to which they are dependent upon grants or loans from us.

That there is another side to the story is indicated by the frequency with which proposals to restrict to American vessels the shipping of relief supplies are made in Congress and elsewhere. These proposals are usually defended on the ground that such measures are necessary to protect the future of the American merchant marine and to insure a fleet of vessels and a reserve of seamen for national defense. Some analysis of the relations between the recovery program and these two objectives is a necessary background for any conclusions as to appropriate United States policy. The following table shows the number and tonnage of United States vessels actually employed in the domestic and offshore trades in 1939, and the Maritime Commission's estimates of an appropriate postwar size for the American merchant marine:

TABLE IX.—*United States dry-cargo merchant fleet employment, prewar and postwar normal*

	Actual, 1939		Estimated postwar normal	
	Ships	Dead weight	Ships	Dead weight
Foreign trade:				
Passenger and combination.....	78	620, 000	75	670, 000
Cargo.....	193	1, 620, 000	383	4, 050, 000
Total.....	271	2, 240, 000	458	4, 720, 000
Domestic trade:				
Coastwise.....	235	1, 190, 000	128	910, 000
Intercoastal.....	143	1, 380, 000	101	1, 170, 000
Noncontiguous.....	90	590, 000	70	560, 000
Total.....	468	3, 160, 000	299	2, 640, 000
Grand total.....	739	5, 400, 000	757	7, 360, 000

Source: U. S. Maritime Commission as quoted in Report of the President's Advisory Committee on the Merchant Marine.

These estimates reflect the Maritime Commission's judgment as to the number and tonnage of vessels we should have in active employment to carry out the purchases of the Merchant Marine Act of 1936, the most recent comprehensive statement of American merchant marine policy. This policy has recently been reaffirmed by the President's Advisory Committee on the Merchant Marine, which issued its report in November of last year. It will be observed from the above table that the Maritime Commission believes that United States dry-cargo fleet engaged in foreign trade should be between 4,000,000 and 5,000,000 dead-weight tons, and that our total dry-cargo fleet should be somewhat over 7,000,000 dead-weight tons. The proportion of the foreign-trade fleet expected to be engaged in the trades with Europe is 1,400,000 tons. These figures should be compared with the 20,000,000 dead-weight tons of dry cargo shipping now employed under the American flag, most of it in foreign trade.

It is clear that without radical changes in our shipping legislation we cannot hope as a long-run matter to maintain more than a small fraction of our present fleet in active service, no matter what strings we put on the way in which shipping is to be handled under the recovery program. Thus the issue which faces us is not whether permanently to strengthen European fleets at the permanent expense of the American merchant marine but rather whether the abnormal flow of bulk cargoes to be moved during the next 2 to 4 years shall be carried in American tonnage or in foreign flag tonnage. Whoever performs this service, the tonnage used will have to be retired at the end of this period and normal competitive forces will once again control the relative sizes of world fleets. This fact should be kept clearly in mind in considering the impact of United States shipping policy on the employment of merchant seamen. Here again the issue is not whether we are to give permanent jobs to foreign seamen at the expense of permanent jobs for our own maritime labor, but rather whether the impact of a declining demand for the services of United States seamen is to be felt now or 2 or 3 years from now.

Since it is not a part of our present policy to attempt to maintain permanently a substantial fleet in the bulk trades, no advantage of consequence would result to the American merchant marine from the establishment of commercial connections and customer relations in this interim period. It is true that there is one way in which our long-run competitive position might be affected by the immediate transfer to foreign flag of tonnage to carry the bulk commodities. When this tonnage becomes surplus, as it will inevitably do in a few years, it may be used in cut-throat competition in the world shipping market in a way which might have an unfortunate impact on our liner services. The line between liners and tramps is a narrow one and, in a period of shipping surplus, tramp operators can be expected to offer real and troublesome competition to the liner companies. This represents a real and valid objection to any permanent transfer of tonnage which would substantially increase foreign-flag fleets.

This objection could be met, however, by a policy of foreign charter. This would have two advantages: (1) The United States could withdraw tonnage from the charter market whenever surpluses began to be troublesome. This would have the further advantage, from the standpoint of the American operator, that fluctuations in the world demand for shipping could be concentrated on foreign-flag tonnage, leaving American operators with a much more stable market; (2) charter parties could be so drawn as to restrict the use of the chartered vessel to the bulk trades and thus substantially to reduce the danger that tonnage initially procured for tramp operation would be used to compete with established lines.

There is one practical objection to initiating a policy of bare-boat charter to foreigners at this time. To undertake such a program would mean calling back ships now under charter to American operators putting them in class with necessary repairs, resurveying them, negotiating new charters, and so forth, as described earlier. Experience indicates that unless the Maritime Commission is given funds and personnel to handle this kind of a job properly, an artificial shipping shortage might be created by the temporary withdrawal of a large number of ships from operation at the time when they are most needed. By the time they got into operation under foreign flag the peak of the bulk movement might be over.

The most compelling argument for retaining our present fleet under the American flag is the argument of national defense. We found, during the war, that 35,000,000 tons of United States-controlled dry-cargo tonnage was barely enough, assisted by a huge British-controlled fleet, for the maintenance of necessary military operations. In the event of another conflict, shipping will certainly be one of our most essential weapons, and if for any reason the tonnage of former allies is not available to the United States, its shipping position will be serious. This is a short-term as well as a long-term problem. Even if, as suggested above, it is necessary to look forward to a reduction of the normal peacetime fleet to a fraction of its present size, there is real question as to whether, in the unsettled state of present world politics, as large an active fleet as possible should not be maintained as long as possible.

It has been suggested that if the prime reason for subsidizing our merchant marine is a national defense reason, it would be appropriate to include the cost of such subsidies in the budgets of our military

departments. This would force a really searching examination of the validity of the national defense argument, and would relieve the recovery program of the cost of a subsidy which should not appropriately be a part of it.

It is sometimes pointed out that with modern methods of preservation very large reserve fleets can be maintained in inactive status. The United States currently has about a thousand vessels in such a reserve. Unfortunately, trained manpower cannot be so simply stored. The only way to have quickly available an adequate reserve of trained seamen and officers is to maintain an active merchant marine.

In this connection one development should be especially noted. Before the war there was as much shipping employed in coastwise and intercoastal operation as in foreign trade. The domestic fleet constituted a major proportion of our maritime resources. For a variety of reasons explored in an earlier section of this report coastwise and intercoastal shipping has failed to revive since the war, so that only a comparatively small tonnage is currently employed in these trades. There does not appear to be much prospect that this tonnage will increase.

It is clear that from the national-defense point of view, if any tonnage at all is to be transferred to foreign flag, the method of bare-boat charter has the advantage that it retains in American hands ultimate control over the transferred vessels. Charters can be so drawn that in the event of a national emergency such tonnage can be recaptured for American use.

If Congress decides on a policy of chartering dry-cargo tonnage to foreigners, existing legislation will have to be modified to permit this. If further ship sales are desired, all that is necessary is an extension of the Ship Sales Act beyond its present expiration date of February 28, 1948, together with an instruction to the Maritime Commission to offer more tonnage to foreigners under the act. If Congress wishes to provide for no further transfers but wishes the division of traffic among the ships of various nations to be determined by competitive forces, some explicit statement of this policy is probably desirable.

There is some confusion as to the provisions of existing laws on this matter. A resolution was passed by the Seventy-third Congress (Public Res. No. 17) on March 26, 1934, providing that it was the intention of Congress that goods procured with the proceeds of any loan made by an agency of the United States Government should be carried in United States vessels wherever practicable. There has been a good deal of uncertainty as to how this resolution should be interpreted. It is not clear whether it is mandatory or merely expresses a general opinion, and there has been much dispute as to the circumstances under which exceptions are allowed and as to type of loan to which it applies. An explicit statement of congressional policy is desirable in connection with the European recovery program to remove uncertainty and confusion.

V. TANKERS

The tanker problem is essentially different from the dry-cargo problem in a number of respects. In the first place, there appears to be a world-wide shortage of tankers to meet world requirements, and the prospects are that this shortage will continue for some time.

The capacity of world tanker fleets is estimated by the National Petroleum Council as 64 percent above prewar. World requirements, however, have skyrocketed to levels not anticipated a few years ago.

The CEEC's report estimated the total tanker requirements of the 16 member countries as follows:

TABLE X.—*CEEC estimates of tanker requirements and availabilities*

[In millions of dead-weight tons of shipping]

	Require- ments	European tonnage available	Dollar tonnage required		Require- ments	European tonnage available	Dollar tonnage required
1947.....	11.4	9.6	1.8	1950.....	15.4	13.2	2.2
1948.....	12.7	11.2	1.5	1951.....	16.6	13.8	2.8
1949.....	13.9	12.2	1.7				

NOTE.—The requirements, which are lower than those shown in the CEEC report, have been adjusted to eliminate double counting.

As indicated in this table the requirements for "dollar" tonnage expand during this period by 1,000,000 tons in spite of an anticipated increase of 4,200,000 tons in the European fleets. Thus, whereas in the dry-cargo field the European construction program permits a gradual decrease in requirements for American flag tonnage thus expanding our surplus, in the tanker field a 40 percent expansion in European fleets is unable to keep up with the growth in anticipated requirements, so that a United States tanker fleet already fully occupied is to be called upon to provide increasing services for the European countries.

The United States tanker position is given in the following table.

TABLE XI.—*United States flag tanker position as of Dec. 1, 1947, adjusted to reflect disposal of USMC and Navy tonnage*

	Number of vessels	Dead-weight tonnage
Total United States flag tankers.....	704	10,737,000
Less:		
Navy.....	90	1,518,000
USMC vessels approved for sale foreign.....	86	1,403,000
Obsolete USMC vessels.....	23	266,000
Lend-lease—Russia and United Kingdom.....	7	116,000
Total United States flag available for civilian use.....	498	7,433,000
Consisting of—		
Privately owned vessels.....	327	4,905,000
USMC vessels approved for sale to United States owners.....	171	2,528,000
Estimated current United States requirements:		
For United States coastwise.....	257	4,223,000
For United States imports.....	82	1,348,000

Source: Availabilities—Standard Oil Co. of New Jersey; requirements—National Petroleum Council.

As will be observed from this table there are currently enough United States-flag tankers to meet essential United States requirements, if they could all be employed in the United States trades. Since there is a deficit in the tanker position of the European countries, however, a substantial number of American-flag tankers are now being employed in supplying Europe's needs. This is an abnormal situation which would not persist under ordinary circumstances.

The cost of operating a T-2 tanker under the United States flag as of May 20, 1947, has been estimated by the National Bulk Carriers, Inc., at \$1,665 per day as compared with \$1,233 for a similar vessel under a Norwegian flag and \$1,239 for a British vessel. While nothing in the Merchant Marine Act of 1936 prohibits the payment of operating subsidies on tankers, no such subsidies have ever been applied for, since the conditions attached to the granting of subsidies would reduce the flexibility of employment of tankers in a fashion which the oil companies do not desire. At the moment the demand for tanker tonnage is so great in relation to the availability of vessels that freight rates have been held at a level above United States operating costs. American companies permanently engaged in tanker operation, however, do not expect this state of affairs to continue and cannot be expected to acquire sufficient tankers to meet the European deficit.

There is a further problem in the provision of American flag tankers to meet foreign requirements which arises from the routes on which these tankers may be expected to be employed in the future. A considerable part of Europe's petroleum requirements are currently being met from the Caribbean. American crews employed in this service can be returned to American ports fairly frequently. As world requirements expand, however, it is anticipated that Europe's needs will have to be met to an increasing extent from Middle East supplies. The continued employment of United States flag tankers between the Middle East and Europe would raise very difficult problems of crew repatriation.

There is one final reason why it is desirable to reduce to a minimum the amount of the American flag tonnage required to supply oil to Europe. The CEEC has estimated the dollar costs of meeting their tanker deficiency with United States tonnage as follows:

TABLE XII.—*CEEC estimates of dollar cost of procuring tanker services*

[In millions of dollars]			
1947.....	\$110.0	1951.....	\$180.0
1948.....	95.0		
1949.....	100.0	Total.....	620.0
1950.....	135.0		

In the last year of the program this cost exceeds that of dry-cargo shipment for the participating nations and for the 4 years as a whole it comes to nearly half as much as the total dollar burden of dry-cargo shipment. It would seem to be highly desirable therefore to expand the availability of tanker tonnage under foreign flag by amounts greater than those suggested in the CEEC report.

There are several ways in which this might be done. In the first place, construction in European yards might be pushed forward more rapidly. As is indicated in the next section, the construction program set forth by the CEEC will be more than enough to keep all European shipbuilding facilities operating at full capacity for the next few years. No expansion in this total program is possible, but some substitution of tanker construction for dry-cargo construction might be possible. This would probably be conditional upon the transfer of some additional dry-cargo tonnage from the surplus to foreign flag.

Another possibility is the transfer of additional United States-owned tonnage to foreigners. As will be seen from table XI, the United States does not have any serviceable tanker tonnage lying idle at the moment. There are more tankers under United States ownership than are required to meet American needs. Eighty-six of these of the T-2 type have finally been approved for sale to foreign owners after a controversy reflecting much misunderstanding of the nature of the problem.

There has been a temporary shortage of tankers to meet American requirements arising partly from the abnormal employment of United States tankers in the European program but more largely from the fact that for a number of reasons the Maritime Commission has been very slow in getting back into operation a considerable number of tankers laid up during a temporary period of surplus immediately following the war. The transfer of tankers to foreign flag has been opposed on the ground that this would reduce the number of vessels available to meet American requirements. In fact, the difficulty has been that, because there have been too few foreign-flag tankers, available freight rates have risen to a point where American-flag tankers, which normally would supply American needs, have been diverted to foreign service. The transfer of previously idle tankers to foreign registry might thus be expected to relieve the United States position by freeing American-flag vessels for service in our coastwise and import trade.

The 86 tankers referred to above which have been approved for transfer abroad are already reflected in the CEEC estimate of tanker tonnage available. Their transfer will therefore not reduce the deficit in table X. It is doubtful whether the maintenance of a safe margin to meet possible United States demands as well as to provide insurance in case of emergency will permit the transfer of any further tanker tonnage to foreigners until additional new tonnage is available to American companies. In view of the world tanker situation, however, it may be desirable to give consideration to a program of tanker construction in United States yards. Such new tankers could be built to incorporate special features desired by the Navy for national-defense purposes and could then be supplied to American oil companies releasing older existing tonnage for transfer to foreign flag in order to reduce the net European deficit. Such construction would have the further advantage of maintaining shipyard facilities in the United States in active operation.

VI. FOREIGN CONSTRUCTION

The construction program of dry cargo and tanker vessels proposed by the CEEC is given in the following table:

TABLE XIII.—*CEEC estimates of construction programs of participating countries*

[Mid-1947 to end of 1951; in thousands of gross tons]

	Passenger	Dry cargo	Tanker	Total
Belgium		194	10	204
Denmark	30	443	165	638
Eire		47		47
France	102	1,102	270	1,474
Greece		50	50	100
Iceland		10		10
Italy	48	885	41	974
Netherlands	81	1,183	287	1,551
Norway	15	967	957	1,939
Portugal		120	7	127
Sweden		225	115	340
Switzerland		20		20
Turkey	33	4		37
United Kingdom	54	2,819	897	3,770
All countries	363	8,069	2,799	11,231

NOTE.—On the average about two-thirds of the above tonnage will be constructed in the yards of the nation ordering the vessel.

The realism of this construction program is open to serious question. It represents nearly 4,000,000 dead-weight tons per year as compared with the current rate of about 3,000,000. Nothing of this sort has been accomplished since just after the First World War. The existing fleets are overage in part and under-maintained. This points to the probability that shipyards will have to devote a substantial part of their capacity to repair activities.

The amount of steel needed for this construction program runs between 40 and 50 percent of the dead-weight tonnage. This constitutes almost 5 percent of the entire steel requirements embodied in the Paris proposals. With steel one of the shortest items in the whole recovery program the wisdom of planning this high a level of construction seems dubious.

The participating countries defend this construction program on the grounds, first, that their fleets are unbalanced and that they require specialized types not now available; second, that the labor and facilities to be employed in this program are specialized and could not be transferred to other work; and finally, that United States policy prevents them from securing United States surplus tonnage of the kinds which they require. It is possible that if the United States were prepared to sell or charter additional tonnage, especially Victory types, the European countries would agree to some reduction in their construction programs, freeing steel, labor, and other resources for more urgent needs.

VII. COASTWISE SHIPPING

The revival of European coastwise shipping is an important element in the rehabilitation of Europe's transportation system. This revival depends upon a number of factors. In the first place, a substantial portion of the shipping construction under way and planned in European yards is of the small coastal types of vessels. No pressures to reduce construction programs in order to conserve steel should be permitted to restrict in any way the output of these small special types.

In the second place, there are some American coastwise vessels still available for purchase by foreign buyers under the Ship Sales Act. Negotiations for the purchase of some of these vessels are currently under way. Any extension of the Ship Sales Act should include provision for continued sale of such of these vessels as have not been disposed of by the end of February and consideration should be given, in the case of certain types where cost has been a deterring factor, either to reductions in the statutory sales price or to special allowances under the European recovery program to permit acquisition of these vessels.

A special problem arises in connection with the remains of the German coastwise fleet. Under the Potsdam agreement a Tripartite Merchant Marine Commission was set up to dispose of the German merchant marine. This Commission has distributed some of the German coastwise tonnage to the Allied Powers as reparations. It was agreed in December 1945 that 175,000 tons carrying capacity of coastwise vessels of a maximum size of 2,250 dead-weight tons should be left with Germany. Additional German tonnage has become available since this date. For example, during 1947 the bizonal authorities employed in addition to the tonnage allocated by the TMMC 132,000 dead-weight tons of coastwise vessels. By comparison, the prewar German fleet of vessels of comparable size (below 2,000 gross tons) amounted to 863,000 gross tons of shipping. The United States representatives on the TMMC are currently taking the position that all coastwise tonnage still in German hands is required for the movement of German cargoes and should be left with Germany, but the TMMC has not as yet agreed to accept this view.

PART 3. EUROPEAN INLAND TRANSPORT UNDER THE RECOVERY PROGRAM

SUMMARY

1. The European transport system was seriously disrupted by the war, partly because of the destruction of physical facilities and partly because of the interruption of all the organizational machinery essential to international commodity movements. Freight car exchanges broke down, international water and road traffic was interrupted by border restrictions, the lack of stable exchange rates made it difficult or impossible to make or receive payments in foreign countries and the international bodies which before the war ironed out such difficulties were dispersed. Since the war remarkable recovery has been achieved both in physical facilities and in organizational arrangements, but such recovery has barely kept pace with the recovery of industrial production so that transportation threatens to be a continuing bottleneck impeding further rehabilitation. Last winter the European transport system, especially in Germany, was barely able to manage without a major break-down.

2. The CEEC has made estimates of Europe's capacity to produce transportation equipment and of the needs of the participating countries for the next 4 years. Their net conclusion is that if some railway freight cars can be supplied from this country to meet a serious deficit in the western zones of Germany, domestic production can supply the remaining equipment necessary, in some cases, such

as locomotives, with a margin for export. This conclusion assumes that ample raw materials will be available and that production can be maintained continuously at capacity levels. It is probably thus an overoptimistic forecast. Nevertheless, deflating both requirements and production, it is probable that all the participating countries, except western Germany, can manage without importing any transport equipment from the United States.

In Germany it is clear that even if maximum use is made of the Rhine and other waterways and of highway transport, the importation of a minimum of some 20,000 freight cars during the next year or so will be necessary if expanding levels of production of coal and other commodities are to be maintained. Failure to support the German transport system could result in the crippling of the entire European program, since German coal and steel will be essential elements in the recovery of almost all other European industry.

For railroad equipment other than freight cars, repair and domestic production can probably be held at a level sufficient to meet essential needs, though this will require ample supplies of raw materials and an extraordinary effort to maintain output.

Highway and waterway equipment can be produced in sufficient quantities within Europe although the conventional prewar trade pattern involved European imports of American trucks and exports of European trucks to South America and other areas.

3. Fully as important as physical facilities are the organizational arrangements which make international transport possible. In the railway field arrangements for the simple international exchange of freight cars and for their prompt return to the country of origin for repair have always been an essential part of the transport mechanism. These arrangements are partially restored, but their most effective operation awaits the settlement of complex issues regarding whether former German cars are to be transferred to the allied countries as reparations, and also the proper identification of cars whose markings have been obliterated during the war.

In highway transport an interim agreement permitting the international passage of trucks with a minimum of formality appears to have been reached, but traffic can probably not be restored to full volume until a permanent international trucking convention has been negotiated. There is further some question as to whether the structure of freight rates in some European countries does not discriminate in favor of the railroads and thus inhibit the use of roads and waterways to their maximum degree of effectiveness.

In the case of water transport the central nerve system of the Rhine and its tributaries has not been restored to anything like capacity operation because of the lack of adequate arrangements permitting the international movement of tugs and barges between Germany and the Low Countries. Settlement of the financial and other difficulties currently standing in the way of such a movement might permit an additional load of as much as 10,000,000 tons per year of coal alone.

In all these fields a major obstacle is the absence of stable exchange rates and other machinery for acquiring and disposing of foreign currency. This set of problems is particularly acute between the other European countries and western Germany which, because of its geographical location, lies at the heart of the European transportation network.

4. If European transportation is to recover rapidly enough to meet the needs of expanding European production, ample materials must be available for repair and transport equipment. The Harriman committee has estimated that the production program proposed by the CEEC will require the use of approximately 17,000,000 tons of steel over the 4-year period.

RECOMMENDATIONS

1. The United States should do everything in its power to encourage the maximum production of transportation equipment in Europe. This means that materials for transport equipment should have top priority, that, when requested, this country should furnish technical advice and assistance, and that it should take what steps it can to encourage the production of transport equipment not only in the 16 CEEC nations but in other countries as well. For example, proposals currently in hand from Czechoslovakia for the exchange of Czech-produced freight cars for raw materials should be studied carefully to see if some such exchange cannot be worked out.

2. The United States should produce for European use a minimum of 20,000 freight cars by July 1, 1949. Supplies of cars for later years should be carefully considered as the situation develops. Some cars will probably have to be furnished after July 1, 1949, but the number cannot be determined at this time.

3. The following suggestion might serve as a means of supplying Germany with the necessary additional rolling stock, settling the reparations problem, and meeting the objections of the western nations to reequipping the German railway system with brand-new stock. It is suggested that the 20,000 new cars to be produced prior to July 1, 1949 be offered to the western European countries, principally France, if they will undertake to supply to Germany a somewhat larger number of cars, used but in serviceable condition, and will further agree to drop all future claims to German cars as reparations. These deliveries of used cars to Germany would, of course, be in addition to any deliveries of cars in exchange for western European cars now held in Germany. The western European countries might, for example, deliver to Germany 25,000 or 30,000 old cars in exchange for 20,000 new cars from the United States. The precise number of such used cars should be left for negotiation between the United States and the western countries. A joint commission including representatives of all the countries concerned might be established to examine the used cars to be transferred and to certify that they were serviceable. If, as a part of such a proposal, the western countries could be persuaded to agree to make no further reparations claims, the arrangement would remove one of the principal obstacles to a satisfactory operation of regular car exchange agreements.

4. It is not recommended that any passenger cars be supplied to Europe during the 4-year period unless compelling evidence not now available demonstrating their urgent need is produced.

5. The United States should press for early technical agreement among the western European nations on an acceptable standardized design for a freight car which will permit the economies of mass production and greater flexibility in operation and repair.

6. The United States should urge that each of the countries of Europe reexamine its railway rate structure in relation to rates for

road and water transport to insure that rates are such as to stimulate the maximum use of the most efficient transportation facilities.

7. Although the CEEC countries reported their truck production to be sufficient to meet their needs, continued purchase of American trucks by European countries should be permitted. This is recommended partly because experience may show that the CEEC countries underestimated their truck requirements or overestimated potential production and partly in order to permit the continuation of the prewar trade pattern which involved the import into Europe of some American trucks and the simultaneous export of European trucks to other areas.

8. The United States should exercise continuing pressure through the new agency (EFRA) and by all diplomatic means for the negotiation by the countries concerned of a permanent international trucking convention to replace and amplify the present temporary arrangement. This convention should provide not only for the abolition of financial and procedural barriers to the international movement of trucks but also for the standardization of regulations, traffic rules, road signs, etc.

9. The United States Government should make every effort to negotiate a workable agreement with the Belgian and Dutch Governments for the reciprocal use of equipment on the Rhine. If existing appropriations of the Department of the Army cannot be made to cover any necessary expenses incurred under such an agreement, provision for such expenses should be made as part of the European recovery program. As indicated in the body of the report a relatively small expenditure made for this purpose will produce vastly greater relief for the German rail system than a much larger expenditure on additional rail equipment, even if such equipment were available. If the Dutch and Belgian Governments show a disposition to be unreasonable in their demands, the negotiation of a reasonable Rhine agreement can properly be made a condition of the granting of other kinds of contemplated assistance to these countries.

I. THE PRESENT STATE OF EUROPEAN TRANSPORT

In view of the extraordinary war damage to transport facilities, the degree of recovery in European transport systems to date is quite remarkable. According to the CEEC, out of a total of about 2,000,000 freight cars belonging to the participating nations at the beginning of the war some 300,000 were destroyed and 800,000 damaged. Destruction and dispersal of locomotives ranged from 90 percent in Greece to 50 percent in the Netherlands, 38 percent in Italy, 27 percent in France, and 23 percent in Belgium.

On the waterways 35 percent of the Rhine fleet were lost, about 95 percent of the waterways of France were closed by obstructions, and a similar percentage in Belgium. Ports, bridges, freight yards, stations, dams, and locks were extensively destroyed. Road transport was disrupted by the destruction of highway bridges which in countries interlaced with waterways like France, Belgium, and Holland are a vital part of the road network.

Perhaps even more important than the physical damage to facilities was the disintegration of all of the organizational machinery essential to the smooth flow of international traffic. International navigation on the major rivers was rendered difficult or impossible by border restrictions, by the lack of provisions for the exchange of cur-

rencies, and by the suspension of international conventions and the disappearance of international control commissions. In the railway field effective machinery for the international exchange of freight cars is essential to a large volume of international traffic, partly so that three-cornered trade can take place and temporary peak demands in particular regions can be met and partly so that equipment in bad repair can be returned rapidly to the shops of its country of origin.

The restoration of these international agreements for the exchange of equipment has been impeded by disputes as to reparations plans. The western countries have claimed the right to retain large numbers of German freight cars in their possession at the end of the war as well as to recover all cars belonging to them in Germany. Some of them have proceeded unilaterally to reletter German equipment and identify it as their own. This, added to the relettering of equipment carried out by the Germans themselves, has raised very difficult problems of freight-car identification. While these claims and counterclaims are outstanding, it is difficult to make any system of exchange of equipment work effectively because of the suspicion that it will be used to deprive countries of what they regard as their rightful property.

Similar organizational problems have interfered with the effective use of the highways. In addition to war dislocation there is the further factor that the highways, being a relatively new medium for long-distance transportation, were not developed internationally before the war as effectively as either the rails or the waterways. Besides currency complications, many prewar restrictions on the international passage of trucks have persisted in a more intense form into the postwar period.

Special problems associated with the occupation of Germany have, of course, occupied a central position in many of these transportation difficulties. The reparations problem has already been mentioned. The problems of foreign exchange are particularly acute with respect to Germany because, under the Potsdam agreement, all German exports must be applied in the first instance against the cost of the occupying powers. This has led the occupying authorities in the western zones of Germany to insist that all services performed by Germans for other countries be paid for in dollars. The present world dollar shortage thus imposes serious restrictions on the use which other countries can make of German transport facilities.

This would not be so serious were it not for Germany's central geographic position in Europe. Europe's major waterways, the Rhine, the Danube, the Elbe, and the Oder, all pass through parts of Germany and Austria. The principal rail routes between eastern and western Europe, and in many cases the shortest routes between the western European countries themselves, lie across German territory. The same is true of highway transport.

Finally, the low level of industrial production in Germany, coupled with the inadequate financial resources of the occupying powers, has prevented the provision of adequate steel and other materials for the repair of German rolling stock and delayed the revival of the German industries supplying railway parts and equipment. This is only part of the complex interaction between transport and German production. Ruhr coal and steel are urgently needed to revive the European transport-equipment industry, and yet revival of German output is inhibited by a current lack of transport to carry coal and steel. This

impasse can be overcome only by intensive effort to increase utilization of existing equipment, combined with some supply of equipment and especially materials from this country.

In spite of all these troubles, very considerable progress has been made in rehabilitating European transport. Physical damage to the waterways has largely been made good. The Rhine and the Elbe were opened to traffic by the end of 1945, and by the end of 1946 the canal systems of France and the Low Countries were back in operation. The CEEC reports that in France 4,695 temporary and 1,965 permanent bridges have been built since the war.

Damage to railway line, yards, and terminals has been repaired to a considerable degree and rolling stock has been replenished, partly out of local production and partly out of imports from the United States. France, for example, has acquired in the last 2 years some 40,000 freight cars from the United States. Much war-surplus equipment left in Europe by the United States Army has been transferred to foreign ownership, especially road vehicles. Progress has been made in repair of rolling stock and equipment, although the situation in this respect remains acute.

The European Central Inland Transport Organization (ECITO) has done heroic work in reestablishing the agencies necessary for international coordination of transport. Freight-car pooling and exchange arrangements have been worked out which have resulted in very nearly normal interchange of cars among the western countries. Exchanges with Germany are still on a restricted basis as a result, in large part, of the reparations problem mentioned above. The Central Rhine Commission and various other bodies concerned with Rhine transportation have been reestablished, although currency difficulties are still preventing the full use of this waterway. The functions of ECITO have recently been taken over by the Inland Transport Committee of the Economic Commission for Europe, in Geneva. This body has already made promising further progress in removing barriers to international traffic by both rail and road.

As a result of all of these activities the European transportation system has been able, though barely, to keep pace with the recovery of European production. As in this country, the crucial season for the transportation system is the late fall, when harvests are being gathered, and the winter, when weather frequently stops all water transport and slows down other transport facilities. The European transport system was barely able to squeeze through the winter of 1946-47 without a major breakdown. As it was, there was some stock-piling of coal in the Ruhr, some food spoilage in various places and some interruption of transit traffic through Germany.

As European production and economic activity expand, increasing burdens will be put upon transport. If the recovery program is not to be crippled by transportation crises, the volume of serviceable equipment must be increased and physical port, highway, waterway, and railroad facilities must be further expanded. This will be rendered particularly difficult by the accumulation of depreciation and wear and tear of the war and postwar years. Crises have been avoided to date by makeshift expedients which increase the long-term problems, such as repair of obsolete equipment which should be retired. Yet the diversion of facilities from repair to new production cannot be risked until there is a greater margin of safety than at present in supplies of available equipment.

Most important are solutions to the problems of organization and coordination which confront transport. An agreement providing for reciprocal use of the Rhine throughout its length by Belgian, Dutch, and German tugs and barges, for instance, might expand the capacity of the river by 10,000,000 tons of coal a year. A solution to the problem of restitution of rolling stock to its country of origin would go far toward reducing the percentage of bad-order cars from 30 percent where it now stands in some countries, to the 6 or 8 percent which is normal. A permanent international highway convention might take a good deal of the load off the railways and would certainly eliminate the wastes involved in transferring freight physically from one truck to another at a boundary line, which until recently was frequently required. Because of the central position of Germany described above, many of these measures require the active cooperation of United States occupation authorities, and some of them await for their full operation the settlement of major outstanding political issues.

II. THE CEEC TRAFFIC PROGRAM

The original report of the Inland Transport Committee of the CEEC did not furnish enough information for a careful analysis of the estimated volume of traffic, the levels of domestic production of equipment, and the resulting import requirements for rail, water, and road transport. In the course of the technical discussions between representatives of the United States Government and the experts sent over from Paris to interpret the CEEC report, a list of additional questions was drawn up and submitted to the participating countries. As of the time of writing of this report, the replies to this second questionnaire have been fragmentary, and there has not been sufficient time to analyze carefully such new material as has come in. A more complete analysis will have to await the receipt of additional information and its careful study. Meanwhile, the broad outlines of the picture painted by the CEEC can be examined, particularly with regard to the urgent problem of the immediate future.

Table I gives the CEEC estimates of the future development of rail, water, and port traffic, as compared with prewar.

TABLE I.—*CEEC estimate of the volume of traffic, 1938 and 1948-51, in the participating countries (excluding western Germany)*

[In millions of metric tons]

	1938	1948	1949	1950	1951
Railways.....	1 917	778	802	852	854
Waterways.....	150	122	143	164	174
Ports.....	413	335	375	407	428

¹ The figure 917 relates to 1937 which is a more representative year for railway traffic than 1938 when volume (624,000,000 tons) was below average.

It will be noted that the total number of tons of freight expected to be carried does not increase above the prewar level. Preliminary answers to the supplementary questionnaire indicate that in most countries, however, the average length of haul is expected to increase markedly so that the total amount of equipment required will be

greater than the above figures would suggest. It should be further noted that the percentage of traffic on the waterways is expected to be higher by the end of the period than in the past. Since this percentage (some 15 percent of prewar) is an average for all countries, and since in a number of countries (e. g., the United Kingdom, Sweden, Norway, Italy) waterways play a very minor role, it is clear that they are expected to be a major factor in such countries as France, Belgium, and the Netherlands. The above table excludes western Germany, where the Rhine network in normal times carries a major portion of the transportation burden.

Unfortunately, the initial CEEC report gave no information concerning past or future highway transport.

This was one of the matters about which inquiry was made in the supplementary questionnaire. Some indication of expectations in this field is given by the following table, which shows data recently supplied by selected countries. The rail and water figures in this table are not comparable with those in table I, since they are in terms of ton-kilometers rather than in metric tons loaded.

TABLE II.—*Estimates of past and future rail, road, and water traffic in selected countries*

[In billions of ton/kilometers]

	1938			1946			1951		
	Rail	Road	Water	Rail	Road	Water	Rail	Road	Water
Netherlands.....	2.1	1.5	?	2.0	2.1	3.0	3.3	2.8	4.0
France.....	29.5	13.0	8.3	37.9	9.9	4.1	66.7	21.3	10.8
Belgium.....	5.5	1.8	2.9	4.7	2.5	1.8	5.5	2.6	?
United Kingdom.....	27.3	(11.0)	(1.0)	33.7	(13.0)	(0.8)	36.5	?	(1.0)

NOTE.—A question mark indicates that no figure was supplied. Figures in parentheses are very rough guesses.

Source: Answers of above countries to Supplementary Inland Transport Questionnaire.

It will be noted that in Belgium and France the proportion of traffic carried by water in 1946 was well below the 1938 figure but that plans are apparently being made to expand water transport significantly. In the Netherlands, for example, it is anticipated that, as in the past, water transport will carry a larger share of the burden than either of the other two forms of transport. As to road transport the experience is variable. It has increased from prewar levels in the Netherlands and Belgium but has declined somewhat in France. Plans call, however, for a substantial expansion by 1951 in all the countries shown.

The over-all traffic estimates for Europe as a whole appear reasonable, though questions are raised by some of the detail recently provided by individual countries. The proposed expansion of French rail traffic, for example, to well over twice its 1938 level is a little puzzling, though, to be sure, 1938 was an unusually depressed year. In general, however, these replies quiet the fears felt by some that inadequate allowance was being made in the Paris program for forms of transport other than rail and bear out the general view that the CEEC estimates of the traffic burden are not grossly exaggerated.

III. THE RAILWAYS

A. Freight Cars

The principal item of finished railway equipment of which the European countries expect to have a net deficit for the next few years is freight cars. The following table shows estimated productive capacity, estimated requirements for new cars, and the export or import balance for the western countries and bizonal Germany separately as estimated by the CEEC.

TABLE III.—*CEEC estimates of requirements and productive capacity of new freight cars*

[In thousands of cars]

	1948	1949	1950	1951	Total
Requirements:					
CEEC countries.....	93	132	123	111	459
Bizonal Germany.....	66	66	67	66	265
Total.....	159	198	190	177	724
Productive capacity:					
CEEC countries.....	112	156	157	158	583
Bizonal Germany.....	0	0	19	19	38
Total.....	112	156	176	177	621
Surplus (+) or deficit (-):					
CEEC countries.....	+19	+24	+34	+47	+124
Bizonal Germany.....	-66	-66	-48	-47	-227
Net.....	-47	-42	-14	0	-103

The requirements for bizonal Germany have been the subject of considerable controversy and confusion. The German deficit and the surplus of the other countries are exaggerated by the above table which assumes that substantial numbers of German-owned cars will be transferred to allied ownership as part of reparations. It is not clear how many such transfers are assumed but the figure for the entire 4-year period is probably in the neighborhood of 90,000. More recent estimates by the bizonal authorities sharply reduce the probable needs of Germany over the whole period, but the reduction is largely in the later years, and a substantial deficit remains for 1948.

The broad outlines of the situation presented in the above table are thus probably representative especially for the near future. In general, the 16 nations, without Germany, expect to have surplus freight-car production, whereas bizonal Germany shows a pressing deficit which considerably exceeds this surplus. The principal countries with excess capacity for the production of rolling stock are Belgium and the United Kingdom. Germany was a major prewar producer, but her plants have not been able to get back into production. This is partly a consequence of uncertainty concerning plant removals for reparations but is more largely due to the exclusive use of facilities for repair purposes. The occupation authorities report that there is a backlog of some 90,000 cars awaiting repair in the western zones compared with a total of some 235,000 cars in service. It is not anticipated that this backlog will be reduced sufficiently to permit the output of new cars in Germany before 1950. To the extent that this repair program could be accelerated by extraordinary means the import requirements could be reduced.

In examining the reasonableness of the net import requirements it is necessary to consider both the estimates of total need and the estimates of productive capacity. The estimates of need were apparently arrived at very differently by the different countries. In some cases (France, Italy, Norway, and Denmark) they were apparently based, not on anticipated traffic, but rather on estimates of productive capacity for freight cars in each of these countries (on the assumption that total needs would have to be met out of domestic production plus reparations). For these and other reasons very little reliance can be placed on the estimates of freight-car needs, especially for the later years of the period. Since the CEEC countries are prepared, however, to try to get along on what they themselves can produce, attention can be concentrated on an analysis of German requirements toward which any exports from the United States will be directed.

It should be noted in passing that the participating countries are most anxious that no new freight cars be supplied directly to Germany but rather that they be permitted to procure new cars and supply Germany with old equipment in exchange. They wish to avoid the situation which developed after the last war when admittedly urgent German needs led to the rehabilitation of the German transport system with newer and better equipment than that possessed by any of the allies. It might be possible to negotiate with the western European countries an agreement under which we would supply them with new cars if they would turn over a somewhat larger number of used but serviceable cars to Germany. This kind of an agreement might be made the basis for an over-all settlement of the reparations problem as well.

Requirements for Germany.—In estimating German rolling stock required for the year 1948 we can assume that Germany will not be required to yield up any cars to the western countries on reparations account, since it is most unlikely that this matter will be settled during this time. Exchanges will therefore be on a car-for-car basis. This may lead to temporary shortages. The western European pool owed Germany some 17,000 cars on December 1 under the present exchange arrangement. But through the good offices of the Economic Committee for Europe, efforts are being made to settle this debt, and it is to be hoped that such short-run difficulties in the operations of the exchange agreement as occur in the future can be ironed out.

The serviceable freight car park of bizonal Germany, according to latest reports, is 237,000 as compared with a prewar level for the same area of 335,000. On November 28, in London, the occupation authorities indicated minimum requirements of 263,000 serviceable cars on January 1, 1948, and 282,000 on January 1, 1949.

These minimum requirements must be met to avoid a serious crisis next winter. The net increase possible by the fall of 1948 from the repair of bad order equipment will not be in excess of 15,000 to 20,000 cars since a high rate of retirement of much existing equipment must be assumed. During this winter's bad weather the total serviceable park will probably decline, to be brought back up to around 250,000 by next fall in the absence of imports. Minimum imports of at least 35,000 cars appear to be called for up to July 1949, if German production of coal and other items is to recover at the rates assumed in other parts of the European recovery program. Even this will certainly

be inadequate unless it is assumed that full use will be made of the Rhine, that the repair program will be successful, and that railroad operating efficiency is kept at a high peak.

Miscellaneous imports required for other European areas may be as high as 8,000 cars. France may require 4,000 or 5,000, Greece and Turkey may require 1,000 or so apiece, and Austria will probably need about 1,500. These are all minimum essential requirements. The provision of an adequate margin of safety against transport breakdowns would require substantially more.

Looking to the more distant future, beyond July 1, 1949, bizonal Germany's earlier estimate of its total freight car import needs for the 4-year period of the recovery program, namely 106,000 cars (as compared with the CEEC estimate, based on assumed German losses for reparations, of 227,000) now appears to be too high. Final appraisal of needs in the later years must await developments.

European productive capacity.—In considering the available sources from which these new freight cars can be obtained, it must be taken into account that the CEEC estimates of production are almost certainly overoptimistic. They are based upon the assumption that there will be no shortages of any necessary raw materials, labor, or parts and that the available facilities can be operated at their theoretical maximum capacity. In some cases they even appear to assume the construction of substantial additional capacity. The figure of 112,000 for 1948 given in table III probably has to be reduced by at least 20 percent to be realistic.

In addition, the western countries will not have available, as they assumed in the CEEC report, any additional cars from German reparations. This fact alone reduces their stated surplus for the 4-year period by about 90,000 cars or from 124,000 to 34,000.

It seems very doubtful, even allowing for considerable inflation in the statement of requirements, whether Belgium and the United Kingdom, the principal exporting countries, can possibly produce more than 20,000 cars for export by June 1949. It is possible that some capacity outside the participating countries and the United States may be available. The Czechs have offered to produce 5,000 cars for Germany in exchange for certain necessary raw materials. If this deal goes through, as many as 25,000 cars might be available from sources other than the United States to meet the deficits of the importing countries for the coming fiscal year.

This assumes that the exporting countries are going to be willing to devote their entire exportable surplus to the satisfaction of western European and German requirements either directly or by supplying old cars in exchange for new ones. The representative of the United Kingdom on the Inland Transport Committee of the CEEC has indicated that the United Kingdom had not planned to export any cars to Germany. He has explained that there are railroads in South America and in the Dominions which can use only equipment of British design and which will require enough cars to absorb the entire export capacity of the United Kingdom.

This raises a policy question, since our own car builders, who compete with United Kingdom builders for a part of the South American business, are currently being forbidden to produce to meet South American orders in order that their capacity may be reserved for domestic and German requirements. The validity of the British contention

that they are the only people who can technically supply certain essential South American requirements must be examined with care, since the European recovery program should not be used as a device by which American producers are forced to concentrate on a market with no long-term commercial future in order to release European facilities to supply third-country commercial demands.

United States availability for export.—The above analysis would seem to lead to the conclusion that an absolute minimum of 20,000 freight cars should be made available by the United States to meet German requirements directly or indirectly in 1948. As indicated in the portion of this report dealing with the United States transportation problem, the freight car position at home is very tight. Unless deliveries to our own railroads (especially of open top cars) can be raised well above the levels presently being achieved, the export of commodities urgently needed in the recovery program such as coal and grain may be curtailed. It is believed, however, that with the cooperation of the steel industry it should be possible to raise the production of domestic type cars to the proposed target of 14,000 per month and still to produce as many as 20,000 per year for export. The export car, being much smaller than the domestic car, requires less than half as much labor and materials. Furthermore, there are two or three car-building companies whose experience is almost entirely in the export field and whose facilities are not very well adapted to the production of domestic types of equipment.

If, through the cooperation of United States car producers and those of the United Kingdom and Belgium, enough equipment can be supplied to pull Europe through the winter of 1948-49, it should be easier to deal with the requirements of later years since both the American and European positions should ease continuously from now on. United States Government experts believe that the exportable surplus of the western European countries for the 4-year period could be raised from the 34,000 estimated by CEEC to 44,000. If these could all be directed to Germany, and if, as the same experts hope, German requirements can be reduced from 106,000 to 70,000 this would leave a balance of only 26,000 to be supplied from the United States, 20,000 next year and 6,000 the following year. If, as seems probable, this long-run estimate turns out to be too optimistic, it should be possible after next year to continue United States export at the 20,000 cars per year level.

B. Other railway equipment

The CEEC reports that if adequate materials are supplied, European production of all types of railroad equipment other than cars will be sufficient to meet requirements. They report a shortage in railway passenger cars of some 2,600 units for the 4-year period, or about 10 percent; 2,200 of this total are required in western Germany. The CEEC states, however, that the priority to be given to passenger cars does not justify the participating countries spending the dollars which would be required in order to make up this deficit entirely from the United States. They suggest that one-half of the program for 1,300 cars should be filled. There is a backlog of orders for domestic passenger cars in the United States sufficient to keep United States producers busy for 2 or 3 years at current rates of production. In view of the tight supply situation in this country, European nations

can probably get along without imports from the United States of passenger equipment, at least for the near future.

In the case of locomotives the participating countries, excluding western Germany expect, if adequate materials are available, to have surplus capacity for export. In the United States zone of Germany the locomotive position is fairly comfortable; and, although serviceable locomotives were very short in the British zone last winter, this shortage can be made up largely from repair of bad-order locomotives which constitute about half of bizonal Germany's total locomotive supply. Should any imports be needed they can probably be furnished by other European countries.

The CEEC states that the planned production of rails and steel ties by the participating countries should be adequate to meet their full requirements which are estimated to be some 6.84 million metric tons for the 4-year period. Although no imports of rails or steel ties are specifically requested, the European production of these items will of course indirectly affect the amounts of steel required from the United States for other purposes. It would appear that these rail requirements imply a rate of replacement averaging about 5 percent as compared with a normal rate of replacement of about 3 percent. There are undoubtedly heavy arrears of replacement, resulting from wartime undermaintenance, but it seems likely that some reduction of planned use of steel for this purpose would be possible without seriously interfering with traffic. The Harriman committee has recommended that the participating nations and Western Germany should reduce the above requirements figure to 5,400,000 tons.

There is a very heavy requirement for wooden ties, estimated in the CEEC report as 122,900,000 units. The State Department believes that the requirements of certain of the countries for ties are excessive. A more complete analysis of ties probably must await examination of additional information requested from the participating countries.

C. The organization of railroad transport

There are a number of steps which must be taken in Europe to improve the organization of railroad transportation and the utilization of equipment. Of first importance is the reestablishment of prewar exchange arrangements, permitting the rapid international movement of cars and their quick return to the country of origin for repair. The establishment of such arrangements has been delayed by confusion and controversy over the ownership of cars, resulting partly from relettering and the obliteration of marks which make car identification difficult and partly from claims and counter claims as to the number of cars to be included in reparations. It is encouraging to be able to report that the new Inland Transport Committee of the Economic Commission for Europe appears to have made some progress in this matter. A working party including the western countries, bizonal Germany, Austria, Czechoslovakia, and Poland met early in December and agreed unanimously to recommend to their governments the reestablishment of the prewar system of car exchange (the RIV) to be effective March 1, 1948. This would be done without prejudice to the reparations issue on the basis of present car parks after the settlement of debts outstanding under existing exchange agreements. If this proposal becomes effective the limitations of the car-for-car exchange system now in effect at many borders

would be removed and a much better international use of cars could be secured.

The problem of car repair is intimately tied up with car exchange and restitution, since differences in design among the cars of various countries make it difficult or impossible to repair cars except in their country of origin. The exchange agreement should be enormously helpful in this respect. The bottleneck in repair facilities and raw materials is being overcome very gradually. In Germany, where the repair problem is most acute, top priority has been assigned to materials for car repair, which now take precedence even over equipment for the coal mines. The use of facilities for repair is in many cases directly competitive with the production of new equipment. Countries with large numbers of bad-order cars are thus faced with a difficult decision as to whether to attempt to repair equipment which in normal times would be scrapped or to produce smaller numbers of new cars which will gradually make the repair problem less acute. This dilemma can be solved only through an all-out effort which will permit the production of some new equipment while maintaining repair activities at a level sufficient to avoid a decline in the serviceable car park.

In the long run these problems can be greatly simplified by the adoption by all the European countries of a standardized freight-car design which will permit economies of mass production and reduce the importance of the restitution problem. Technical commissions are now at work on such a standardized design, and it is to be hoped that they will come to agreement in the near future.

The solution of some of Europe's currency difficulties would have an enormously beneficial effect on the efficiency of the railroad system. For example, because of currency difficulties, coal has recently been shipped from Polish Silesia to France at the same time that Austrian requirements were being supplied from the Ruhr. Had more normal sources been used to meet these requirements, it has been estimated that 37,000 tons of locomotive coal, 5,300 coal cars and 230 locomotives could have been saved. Difficulties of paying for transshipment through Germany have led to the adoption of highly circuitous routes between countries which normally ship across German territory.

IV. HIGHWAY TRANSPORT

The highways of Europe are, in general, in fairly good condition as a consequence of the large amount of bridge building which has taken place in the last few years. Trucks are being extensively used for local and short-haul distribution, but long-haul international trucking has not developed as it might.

This is not basically a problem of available equipment. The European countries have received substantial numbers of United States Army-surplus motor vehicles and have put many passenger automobiles into service as trucks. Army surplus is now about exhausted and equipment is over-age and inadequate, but there is enough of it to meet current demands.

Production of motortrucks in 1946 exceeded 1938 production in Italy, England, and France, the three main producing countries. The participating countries estimated total requirements for new trucks at 1,175,000 for the 4-year period and European productive capacity at 1,300,000. This should allow 125,000 for export from

Europe, in the absence of imports. A small part of this output (about 87,650) will be assembled from parts made in the United States, supplemented by such components as are available in Europe.

The CEEC program shows no European deficit to be met by imports from the United States. There will, nevertheless, probably be such imports as part of the normal pattern of trade. Prewar Europe shipped many autos to South America and the colonial areas while American makes were being shipped to Europe to compete with the domestic product.

The primary factor restricting international highway transportation is the absence of a comprehensive permanent trucking convention providing for the movement of trucks across international boundaries with a minimum of red tape and delay. Obstructions to this traffic have been so great that freight has been actually unloaded at boundaries and reloaded into different vehicles. This matter, recently under consideration by the Economic Commission for Europe, appears to have been considerably advanced by a conference held in Geneva early in December. This conference agreed to the suspension, for 6 months, of all restrictions on in-transit traffic across borders and, in many cases, to a similar suspension on other international truck traffic. Although several countries reserved their position for further study, a beginning has been made.

Of course, currency stabilization in this field, as in railroad and waterway transport, is a prerequisite to the smooth operation of any successful convention. Unless arrangements are made whereby the trucks of one country can pay for supplies, repairs, etc., and receive payment for services rendered in other countries, the simplification of boundary restrictions will do little good.

A final problem in the adequate use of road transport is the establishment in European countries of a structure of freight rates which will properly reflect the costs of transporting commodities by various means. In many cases rate structures which discriminate against highway transport have been designed. In other cases inadequate attention has been paid to the establishment of joint rail-road rates which would more effectively coordinate the two means of transport. The French Government has just adopted a new principle for the determination of rail-road rates which appears to constitute a step in this direction. In general the plan calls for rates which always cover out-of-pocket costs but never cover more than total costs, including overhead. This experiment should be closely watched.

V. WATER TRANSPORT

As indicated in table II, inland water transport prewar was a major factor in certain European countries, especially Germany, Austria, France, and the Low Countries. In western Europe water transport has not revived to anything like its prewar level.

This is not primarily a matter of equipment. In spite of extensive damage to tugs and barges during the war, organizational problems have been so restrictive that there is much useful equipment lying idle at the moment. The CEEC reports that such requirements as are anticipated for the next 4 years for barges, tugs, etc., can be met out of domestic production with some surplus. They indicate productive capacity to build tugs up to a total of 345,000 metric horse-

power against requirements of 300,000 metric horsepower; a capacity for construction of self-propelled barges up to 750,000 metric tons against requirements of 770,000 metric tons; and facilities for constructing barges up to a total of 3,300,000 metric tons carrying capacity, as against requirements of 3,100,000 metric tons for the 4-year period. Very considerable amounts of steel and other materials will be required for this production program as indicated in the section on materials below.

The urgent problem in the immediate future is to remove various obstacles to the full use of waterways which are currently preventing even that equipment which exists from being effectively utilized. Several of the major prewar arteries of water-borne commerce now lie within the Soviet orbit of control, notably the Danube, the Oder, and the Elbe. Attempts so far to open these arteries to general international commerce have been largely unsuccessful, although, partly through the efforts of the ECITO, some international commerce has moved on the Elbe, principally to Czechoslovakia.

In the west, the major inland waterway is, of course, the Rhine system. Prior to the war enormous quantities of coal, ore, and other cargoes moved on the Rhine system; and a major portion of the total export and import traffic of Germany, Belgium, and Holland was handled through Rhine ports. Rotterdam and Antwerp handled about the same amount of German traffic before the war as the principal German North Sea ports of Hamburg and Bremen.

The Rhine waterway was, of course, subject to extensive physical damage during the war. Great progress has been made in its physical rehabilitation through reconstruction of bridges, clearing and deepening of channels, and repair of loading and discharge facilities. The port facilities of Antwerp and Rotterdam likewise are in good condition.

Political and organizational obstacles have, however, prevented this great transportation system from playing its full role in recent months. There is the paradox of idle tugs, idle barges, idle port equipment, and unemployed dock labor on a major waterway at the same time that the struggling German railway system is attempting to move quantities of coal beyond its capacity in light equipment ill-suited to long-distance bulk haulage.

The reasons for this state of affairs are largely financial. The occupation authorities have not been willing to use the Low Countries ports for imports of Civil Affairs cargo into Germany because this would involve additional expenditures as compared with the use of Bremen and Hamburg, where German labor and facilities, payable in German currency, are available. Dutch and Belgian tugs and barges have been unable to operate extensively on the German portions of the Rhine because of the lack of any currency arrangements which would permit them to meet necessary operating expenses incurred in Germany and to receive payment for services performed there. Thus exports from Germany have been inhibited as much as imports by these currency obstacles.

The basis for a solution of this difficulty was proposed in July 1947. An agreement was suggested at that time under which the Dutch and Belgian Governments agreed to accept deferred obligations of the German Government in partial payment for services to be performed in the transshipment of German cargo, provided the occupation authorities would move approximately 1,700,000 tons of German imports

via the ports of Rotterdam and Antwerp and would pay in American currency a minimum of \$1,700,000 toward the total costs of transshipment. In addition, the proposed agreement set up clearing mechanisms which would permit the reciprocal use of German, Belgian, and Dutch equipment throughout the whole length of the Rhine.

This agreement was not ratified by the occupation authorities because OMGUS believed that it did not have the authority to spend any part of its appropriation for this purpose. The Army was prepared to pay to the Dutch and Belgians whatever amounts could be saved in ocean freight as a result of the shorter haul to Rotterdam and Antwerp, but these savings were not estimated to be sufficient to pay the dollar per ton requested by the governments of the Low Countries. The Army offered to negotiate an agreement for the reciprocal use of the Rhine, separating it from the question of the Low Countries ports for German cargo, but the Belgian and Dutch Governments refused to consider the two issues independently. In recent weeks the prospects for an agreement have diminished appreciably since the Belgians and Dutch have concluded that they will no longer accept as little as \$1 per ton in United States currency, and the military authorities have reduced their estimates of the amounts they can afford to pay.

Meanwhile coal is being stock-piled at the mines for lack of facilities to carry it away. OMGUS has estimated that if the tugs and barges of the Rhine fleet now idle could be made available through a reciprocal agreement, an additional 3,000,000 tons of coal a year could be moved internally within Germany and an additional 7,000,000 tons could be moved for export.

The State Department has estimated that the shifting of 5,000,000 tons of cargo (import, export, and local) from the German railways to the Rhine would save about 8,000 freight cars, and that the cash outlay required to hire Dutch and Belgian equipment to move this quantity annually would be about \$4,000,000. Extra freight car capacity acquired in this manner would thus cost about \$450 per car as against an estimated cost of \$3,000 per car for acquiring new stock. The Department has suggested, therefore, that \$4,000,000 of funds from the recovery program otherwise to be earmarked for procuring new freight cars for Germany might appropriately and with great benefit be diverted to paying these water-transport costs. A major advantage of this proposal is that it could be put into effect immediately, thus providing additional capacity at once, whereas new production of cars will take time and be subject to many uncertainties. Certainly steps to get the Rhine fleet back into service must be taken if there is to be any prospect of a recovery of European production without a crisis in rail transportation.

VI. MATERIALS REQUIRED

The principal burden on foreign exchange of the program of production of transport equipment outlined by the CEEC will not be in finished items but rather in raw materials. It has already been mentioned that the CEEC believes that something over 5,000,000 cubic meters of wood for ties would be required from outside Europe. Much of this can come from countries outside the United States but the indirect burden on dollar exchange will inevitably be large.

The principal short supply item involved in this production program is, of course, steel. The CEEC indicated that a total of some 15,500,000 metric tons of steel would be required to meet their transport needs. This would not, of course, represent necessary imports but rather total steel to be utilized. The Harriman committee has reduced certain of the components to smaller figures but has made a more comprehensive survey of all of the uses of steel (for example, it is not clear whether the CEEC included any steel for repair of rolling stock). The Harriman committee's estimate, as shown in table IV below, is that nearly 20,000,000 tons of steel will be required over the 4-year period from which a little over 3,000,000 can perhaps be subtracted if there is a comparable yield in scrap from retired rails and rolling stock. The difference, 16,700,000 tons of steel for 4 years, represents between one-sixth and one-seventh of the total estimated consumption of finished steel in the participating nations. How much of this represents required imports cannot be estimated, as the CEEC did not break down their steel import figures by end use.

TABLE IV.—*European program for the production of inland transport equipment in terms of the quantities of ordered steel required, 1948-51*

Item	Number	Factor used to reduce to tons of steel	Steel (millions of tons)
Freight cars.....	621,000	9.6 tons per car.....	6.0
Passenger cars.....	21,700	15 tons per car.....	.3
Locomotives.....	11,965	100 tons per locomotive.....	1.0
Rolling stock repairs.....		One-third ton per year per serviceable car.....	2.7
Rails and steel ties.....			5.4
Tugs..... horsepower.....	300,000	0.8 per horsepower.....	.2
Self-propelled barges..... dead-weight tons.....	750,000	40 tons per 100 tons dead-weight.....	.3
Dumb barges..... do.....	3,100,000	35 tons per 100 tons dead-weight.....	1.1
Cranes.....	6,000	25 tons per crane.....	.2
Trucks.....	1,300,000	2 tons per truck.....	2.6
Total.....			19.8
Scrap saved ¹		One-half ton steel per ton scrap.....	3.1
Balance.....			16.7

¹ Scrapped rails and freight cars.

REPORT ON GREECE

PRELIMINAR REPORT TWELVE SUBCOMMITTEE ON ITALY, GREECE, AND TRIESTE CONSISTING OF

THOMAS A. JENKINS, Ohio, *Chairman*
RICHARD M. NIXON, California
JAMES P. RICHARDS, South Carolina
GEORGE H. MAHON, Texas

OF THE HOUSE SELECT COMMITTEE ON FOREIGN AID PURSUANT TO

H. Res. 296 A RESOLUTION CREATING A SPECIAL COMMITTEE ON FOREIGN AID



MARCH 4, 1948.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

UNITED STATES
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80TH CONGRESS } 2d Session }	HOUSE OF REPRESENTATIVES {	REPORT No. 1505
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REPORT ON GREECE

MARCH 4, 1948.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. HERTER, from the Select Committee on Foreign Aid, submitted
the following

PRELIMINARY REPORT TWELVE

[Pursuant to H. Res. 296]

SUMMARY

1. The continuing civil war dominates all other factors contributing to the current Greek crisis. Fifteen to twenty thousand guerrillas, directed and supported from abroad, are able through terrorist activities to negate reconstruction efforts and to prevent the establishment of political and economic stability. Until the guerrilla domination is ended, not only will economic and political recovery be impeded but further deterioration will be inevitable. The Greek Government and General Staff must be considered responsible for past failure to take all available measures to eliminate the guerrilla forces. The committee further believes that military operations by the Greek Army must not be further delayed but that an all-out effort must be initiated and maintained continuously until the guerrillas are eliminated.

2. The Union of Soviet Socialist Republics and her Balkan satellites are attempting by infiltration and by revolution to establish a Communist state in Greece and thereby to gain control of Greek communications, ports, and air bases. Possession of these strategic facilities would make possible increased pressure on Turkey, Italy, and the Middle East. United States withdrawal from Greece would greatly weaken the determination of constitutional forces resisting communism elsewhere.

3. This winter the Greeks face an economic crisis which may completely destroy their economy. Runaway inflation, which would wreck the reconstruction program, is not only possible but probable unless drastic action is immediately undertaken. Policies recommended by the Griswold mission, if implemented, could do much to avert the danger. The inflationary situation has been caused primarily by—

(a) The dislocations, uncertainties, and extraordinary expenditures engendered by the civil war;

(b) The Government's past failure to take effective action toward balancing the budget, instituting tax reforms, reducing Government and relief pay rolls, and controlling speculation and hoarding of vital commodities; and

(c) The exploitation of the economic crisis by small groups of private citizens for their own selfish interests.

4. Administration of relief by UNRRA on a gift basis without regard for the efficacy of the internal economic policies of the recipient government has encouraged many Greeks to believe that they can exist indefinitely by foreign subsidy. This has enabled them to postpone until recently the reforms needed to place the country on a sound economic basis. The United States Aid Mission, on the other hand, has recognized that foreign aid is a contribution to the total pool of resources available to the recipient country. The efficiency of the use of this total pool will determine whether or not the aid supplied can achieve its basic purpose of establishing ultimately economic self-support.

5. Germany provided by far the largest element in Greek prewar foreign trade. The restoration of German economic life will considerably facilitate Greek recovery.

6. Unlike many other countries of western Europe, Greece is not plagued with Communist control of labor, nor is it a serious threat. By their own actions, in proclaiming a revolutionary government and in attempting to seize power by a military coup, the Communists have placed themselves outside the Government and the law.

7. In order to achieve a condition of self-support in Greece, major long-term economic reforms will be necessary:

(a) Domestic output and consumption of lignite, as well as hydroelectric power production, must be expanded to reduce the amount of coal imports and thus conserve vital foreign exchange.

(b) Mineral resources must be surveyed and developed to the optimum.

(c) Agriculture must be expanded through development of irrigation projects and application of scientific techniques to production.

(d) Production of agricultural products for export must be adjusted to postwar world markets. It may be necessary to shift from tobacco, the major export crop, and to expand other crops.

(e) Industrial capacity designed to use indigenous raw materials and local labor must be developed and expanded.

(f) Outlets must be found for surplus population.

REPORT ON GREECE

On December 25, as had long been expected, the Greek Communists formally proclaimed the establishment of a revolutionary Greek government in opposition to the constitutionally established Government in Athens. This has intensified but has not basically altered the situation which has long existed. During the past 2 years, Greece has been faced with a continuing revolution, directed and supported from abroad, fed on economic poverty and demoralization at home, and aimed at installing a minority totalitarian government subservient to a foreign power. In order to avert this danger, the Congress of the United States has made available to the Greek Government substantial economic and technical assistance. This aid is being used to establish internal security and economic self-support.

The geographical location of Greece is of considerable strategic significance. On the east its islands flank Turkey and dominate the entrance to the Dardanelles, and on the south Crete controls the communication lines of the Mediterranean leading to the Middle East and India. It is improbable that Greece, even though fully supported by her friends, could indefinitely resist an all-out military invasion by the Communist-controlled Balkan nations and the Union of Soviet Socialist Republics. It is, however, of extreme importance that these totalitarian powers be prevented from establishing by infiltration and revolution a Communist state in Greece. Through such a state the Communists would gain the use of Greek communications, harbors, and air bases, from which increased pressure could be applied against Turkey, Italy, and the Middle East.

Should the United States now withdraw its support from Greece, which would almost certainly result in the establishment of a Communist government, the Communist parties throughout Europe would undoubtedly utilize the opportunity to point out to those who are now valiantly resisting Communist infiltration in other countries the uncertainty of relying on United States help. The effects of such withdrawal would greatly weaken the determination of the constitutional forces resisting communism elsewhere.

I. THE MILITARY SITUATION

The present civil war overshadows in importance all other elements contributing to the Greek crisis. A relatively small force of 15,000 to 20,000 guerrillas, directed and supported from Albania, Yugoslavia, and Bulgaria, is effectively preventing the economic and political reconstruction of Greece. When the committee was in Greece, 250,000 peasants had been driven off their land by the fear of guerrilla attacks. This number is since reported to have increased to more than 400,000. It is estimated that this mass evacuation may result in as much as a 25-percent reduction in domestic agricultural output. At the same

time, these refugees are crowding the cities and creating a serious relief and employment problem.

Construction work on roads and railroads, except in the immediate vicinity of the large cities, is effectively prevented. Domestic production can be moved from areas of surplus to areas of scarcity only with the greatest of difficulty. Simultaneous prices for domestic produce may vary as much as four times between villages less than a hundred miles apart.

Perhaps only 10 percent of the guerrilla forces are professional Communists who have had training and indoctrination in Communist schools. The balance do not embrace the Communist doctrines but are men who either find guerrilla life the easiest way to earn a living in a demoralized and devastated country or have been forcibly taken from their homes and made to fight by threats of reprisals against their families. There is no appreciable support of the guerrillas among the Greek people.

The objectives of the Communists are quite clear. Through terrorism and destruction they hope to prevent physical reconstruction, and through fear they attempt to destroy the confidence of the Greek people in their ability to realize returns on hard work, production, and investment. Communist leaders state that with the aid of the Communist nations they will be able to overthrow the present Greek Government and to establish in Greece a Communist state. In order to convince their men that the western democracies will not be effective in opposing the guerrilla movement, they emphasize the propaganda line that Britain is finished in Greece and that the United States will soon tire and withdraw, leaving the country to the Communists.

The committee is fully aware of the difficulty of tracking down and eliminating forces which have neither supply lines nor fixed positions and which when attacked disperse into the forests. The committee is also cognizant of the material aid and refuge which is being provided by neighboring Communist governments. The training of the Greek Army since the liberation, which has been supervised by a British military mission, does not appear to have been particularly suited for irregular mountain warfare. Nevertheless the committee believes that the Greek Army is itself capable of eliminating the present guerrilla force and thus making possible the initiation of economic reconstruction. All too many Greeks have been ready to believe that the defeat of the guerrillas is beyond the powers of their own forces.

In December 1947, in order more effectively to combat the guerrilla forces, the Greek Government adopted legislation which outlawed strikes and which provided severe punishments (including the death penalty) for violations. The committee is of the opinion that the evils which may result from such a sweeping abrogation of civil liberty may outweigh any possible usefulness of this legislation in meeting the threats of the current civil war.

The committee feels it should state frankly its belief that the Greek Government and the Greek General Staff have in the past failed to take all possible measures in their power to end the guerrilla domination of the country. Unless determined and aggressive leadership is shown by Greece itself, economic and technical assistance from abroad, no matter how great, can be of little avail.

II. ADMINISTRATION AND POLITICS

In Greece today an already terribly weakened political and economic structure is under heavy attack by a militant Communist minority which hopes to exploit these weaknesses and to establish a Kremlin-controlled dictatorship in Greece.

The political elements of weakness stem from the Metaxas dictatorship which began in 1936 and from the German occupation which followed in 1941. The suppression of all political parties during these periods gave the Communists, who were skilled in underground operations, a unique opportunity. Their training enabled them to survive successfully the suppression of the dictatorship, so that during the German occupation they were in a position to capture the leadership of the resistance movement and to exploit it to their own advantage.

At the close of the war, Communist efforts to dominate the Government culminated in a short but bloody civil war with the British occupation forces. The excesses of the Communists against the civil population during the fighting turned the great majority of the population against them, and, as a result, they have lost the popular support which they received as resistance leaders.

In March 1946 an internationally supervised election in which the Communists did not participate resulted in a major victory for the parties of the right over those of the center. In September of the same year a plebiscite was held, also under international supervision, which resulted in the retention of the monarchy. Since the elections there has been a series of coalition governments all under the control of the Populist (Royalist) Party. In September 1947 the major center party, the Liberal Party, joined the coalition for the first time.

The Greek political structure is weakened by the multiplicity of parties, by intense factionalism, often based on personal differences, and by the placing of party loyalties above loyalty to the nation. Individual ministries have often regarded themselves as independent authorities not subject to review or control by the Prime Minister or by other sections of the Government. Such ministerial rivalries have considerably delayed the reconstruction program.

The Government also has suffered from overcentralization of activities in Athens. Practically no authority has been delegated to subordinate levels of government outside Athens; as a consequence, operations are often almost completely paralyzed, especially when communications are disrupted by guerrilla activities.

Although the American Economic Mission is attempting to advise the Greek Government in respect to improving its administration, the will and the leadership must come from the Greeks themselves. For the first time since liberation, the Government is beginning to come to grips with its problem and to initiate reforms so badly needed. It remains to be seen whether or not the various ministers will have the courage and stamina to complete the programs which they have at last set in motion or whether, in the end, administrative weaknesses and inflationary pressures will become uncontrollable and plunge the country once again into political and economic chaos. Until the Greeks develop a greater sense of leadership and self-reliance, Greece will remain an open invitation to imperialist totalitarian powers seeking to exploit its tragedy for their own unscrupulous ends.

III. ECONOMIC CONDITIONS

A. BASIC ECONOMY

Although Greece has never been a country rich in material things, it has in the past managed to support an excessive population in a frugal existence. Nazi and Communist efforts to absorb the country and overthrow its constitutional government are largely responsible for the present precarious state of Greece. However, unwise economic policies, lack of competent political leadership, and the intense preoccupation of the bulk of the people with their own individual concerns, to the exclusion of the national interest, have also been major contributory factors.

An excessive population for the rocky and infertile land has always plagued Greece and has been a basic factor contributing to the very low standard of living. The problem was aggravated by the forced immigration of 1,500,000 Greeks from Asia Minor in 1922. Of the present population of 7,500,000, nearly 5,000,000 are farmers; only 750,000 people are dependent upon industry, transportation, commerce, and banking for their livelihood. Yet with this basically agricultural economy, Greece cannot feed itself. The wheat deficit is 40 percent of minimum needs; meat, 30 percent, and fish, 50 percent. This year, because of drought, domestic cereals production will be less than half consumption requirements, and the United States is today supplying one-third of all food consumed in Greece. Since much of the land is unsuited to cereal production, and since the annual rainfall is exceptionally low—being only 18 inches—cereal yields are often no more than four or five times the amount of seed used. Therefore, crops such as tobacco, olives, and currants have been produced for export and the foreign exchange thus obtained used to buy cereals.

About 90 percent of Greece's exports are farm products. As far as world markets are concerned, these agricultural exports are classified as luxuries; they consist largely of leaf tobacco, currants, olive oil, raisins, figs, wine, and olives. Tobacco, olives and olive oil, and vineyard products alone accounted before the war for about 75 percent of total export proceeds. Ores, turpentine, and resin are the major nonagricultural items of export, but ores and minerals, the second largest export group, accounted for only about 6 percent of the total (and of the 6 percent, nearly half went to Germany).

Germany was before the war by far the largest single factor in Greek trade, taking, in 1938, 39 percent of Greece's exports and providing 29 percent of its imports.

Foreign trade of Greece, 1938, by countries of origin and destination

	Percent of imports	Percent of exports
Germany.....	29	39
United Kingdom.....	13	8
Union of Soviet Socialist Republics and satellites.....	19	17
United States.....	7	10
Western Europe.....	8	12

During the period 1934-39, the value of Greek exports amounted to only two-thirds the value of imports. This continuing deficit, averaging \$37,000,000 a year, was made up by emigrant remittances, shipping earnings, tourist expenditures, foreign credits, and income from foreign investments.

B. EFFECTS OF WAR

Greece has not yet succeeded in reestablishing a sound economy since the liberation; it has been, and will for some time continue to be, dependent upon foreign assistance. This failure to recover is due to the cumulative effects of several factors; namely, great physical damage of the war, disruption of international trade, a continuing deficit in the balance of payments, overpopulation, and the dislocation and destruction caused by the civil war.

The Greek economy today is not only impoverished and unbalanced but it is psychologically immobilized by fear and lack of confidence. An ever-present and all-pervading fear that Greece will be overwhelmed by imperialistic communism exists throughout the country, stifling much potentially productive economic activity. The experiences of the past 7 years have left a heritage of lack of confidence in the currency, in the security of property, and in the reliability of government services, programs, and promises. These psychological bonds constrict individual initiative and handicap Government efforts to obtain unified support in its projects for economic revival. They have, therefore, become economic factors of vital importance in Greece.

Since the end of the war, agricultural output has risen from 30 percent of that produced before the war to at least 85 percent of prewar, although wheat production for the current crop year was only 60 percent of prewar because of drought. Industrial production has climbed from about 35 percent of prewar to 57 percent in 1946 and an estimated 70 percent toward the end of 1947. Reconstruction work has not restored communications to an average of more than 50 percent of prewar; internal rail transportation has reached only 20 percent of its former load-carrying capacity. The merchant fleet, however, now has 60 percent of its prewar tonnage (under Greek flag) as compared to only 27 percent at the end of the war. Electric power output exceeds by 20 percent the highest previous production.

However, export trade is only approximately one-half its prewar level, and import trade, if relief supplies are excluded, is only approximately 35 percent. In particular, foreign trade with Germany and central Europe, which formerly amounted to more than half the total of foreign trade, is virtually at a standstill. Efforts are being made by the American Aid Mission to reestablish trade with Germany; but until the German economy is substantially restored, this trade can be no more than a fraction of its prewar volume.

C. INFLATION

Greece has already passed through two ruinous inflations which completely wiped out all savings, and it appears that for a third time runaway inflation is in store unless the Greek Government institutes drastic measures, which in the past it has been either unable or unwilling to do.

The most immediate problem facing the Griswold mission in its attempt to grapple with the inflationary situation upon its arrival in Greece was the establishment of a balanced budget. In the first budget estimate which was presented to the United States mission, covering the 15-month period ending June 30, 1948, only half the projected expenditures were covered by revenue. This budget, furthermore, excluded the costs of feeding and equipping the military establishment and the costs of the reconstruction program, both of which are being financed through the American aid program. The balancing of this budget would have required further United States aid to the extent of over \$300,000,000.

As a result of strong recommendations from the mission, new revenues have been developed which should raise total revenues by about 40 percent. Tax rates have been increased so drastically that it is estimated that they should absorb approximately one-third of the total national income. At the same time, expenditures have been drastically reduced, and had it not been for the increasing refugee problem, the budget would have been balanced. The pay rolls of the Government include 400,000 such refugees, in addition to 1,400,000 indigents, 170,000 pensioners, 75,000 civil servants, and 260,000 in the armed forces.

Even with the unprecedented domestic revenue measures mentioned above, 40 percent of the Greek budget revenues are still derived from foreign aid sources, nearly all of which have been supplied by this country, both through UNRRA and through direct aid. A subsidy of this magnitude cannot be maintained. In addition, the United States is providing \$172,000,000 in military equipment and supplies, \$25,000,000 in reconstruction equipment and supplies, as well as \$84,000,000 in consumer goods with which to finance the internal costs of reconstruction, and \$12,000,000 in agricultural equipment. Administration, public health, and training programs account for the other \$7,000,000. None of these expenditures appear within the Greek budget.

In order that the Greek Government may be successful in its efforts to achieve self-support at the earliest possible date, the Griswold mission is assisting the Government in the implementation of a series of basic reforms. In the field of taxation, a shift in emphasis is planned from consumption taxes to income taxes in order to place the burden primarily on those who can best afford to pay. At the same time, personnel in the Ministry of Finance are being trained in tax-administration methods. On the recommendation of the mission, new legislation has been passed requiring all private organizations to keep adequate records of their transactions so that taxes may be equitably assessed.

In Greece, the gold sovereign plays a special role in the economy. The sovereign is looked upon as a final protection against inflation, and as a result commodity prices parallel almost directly the price of gold. At the present time, there is evidence that both the Communists and businessmen are bidding up the price of gold for their own purposes, the businessmen to minimize the burden of taxes through the promotion of inflation and the Communists to precipitate further the political crisis. Instead of concentrating on the causes of inflation, the Government has sought to lessen the effects of these causes through sale of gold in the open market. This policy

not only postpones necessary reforms but squanders vital reserves. The price of the gold sovereign has increased from 145,000 drachmae on September 22 to nearly 200,000 by the end of the year. At the same time, many merchants are withholding merchandise from the market in anticipation of still higher prices.

Strong pressure from organized labor has succeeded in raising wages to a level averaging 170 times that of prewar, although the cost of living has risen only 157 times during the same period. The Government has acceded to wage demands on the ground that refusal might bring about the displacement of moderate labor leaders. But in an economy as thoroughly weakened as that of Greece, such a wage level cannot fail to result in further inflationary pressure.

Faulty methods of distribution have been another major factor contributing to inflation. At present, only bread, sugar, and UNRRA clothing and shoes are rationed. Distribution of UNRRA supplies of all types has been particularly inefficient. Delays of getting this material into the hands of the consumers have been caused by Government inefficiencies, by the desire of the Government to obtain the highest possible prices to augment the budget revenue, and by the unsuitability of the material provided.

Control over distribution of private imports is largely in the hands of a small group who, because of their monopolistic control, are able to manipulate prices and withhold goods from the market in order to maximize their speculative profits. This is a major factor contributing to inflationary pressures. The restrictive practices of this group, if continued, would largely negate efforts of the Government to control inflation. The Griswold mission is recommending that a larger part of imports be brought in by cooperative organizations and by new private importers in order to break the monopolies; it is also recommending the adoption of inventory controls to minimize speculative hoarding. However, it will be impossible to superimpose any extensive system of economic controls upon an administrative apparatus as primitive as that which now exists in Greece. A basic need in Greece is for the development of a body of adequately trained technical administrators.

On the recommendation of the Griswold mission, the Greek Government has also adopted a foreign exchange plan which will, in effect, reduce the foreign exchange value of the drachma to more nearly its actual value as determined in the free market. This new policy should be of considerable assistance in reducing imports and in increasing exports, as the official rate of 5,000 drachmae to the dollar previously used resulted in an artificial premium on imports and an obstacle to exports. This rate, for example, had made it impossible for Greek tobacco to compete successfully with Turkish tobacco in world markets. Simultaneously, the Greek Government, with the help of the mission, has undertaken a further measure for control of foreign trade by establishing a foreign trade administration which will screen all imports and license only those vitally needed to maintain the basic requirements of the economy.

These economic reforms, however, will have a real effect only over a period of time. In the meantime, existing inflationary pressures may break through to another spiral of runaway inflation unless they can be checked. The general price level rose from a base of 100 on September 1, 1947, to 104 at the end of September, 112 at the end of

October, 123 at the end of November, and 134 at the end of December. This compares with a 17-percent increase over the whole of the previous year. These pressures result primarily from the highly unstable conditions already existing, the military deterioration, the rapidly increasing burden of caring for refugees, supply shortages, and the increase in the note circulation arising from necessary credit expansion, Government deficit financing prior to adoption of the budget, and initial credit financing of the reconstruction program.

D. LONG-RANGE MEASURES TO ACHIEVE A BALANCED NATIONAL ECONOMY

In addition to the immediate measures necessary to meet its present economic impasse, Greece will need to make major economic readjustments in order to achieve a condition of permanent equilibrium and self-support. As has been indicated, Greek agriculture is normally unable to support the Greek population, so that continuing failure to export enough to pay for necessary Greek imports means not only lack of manufactured articles and luxuries but of food itself. Yet it is open to question whether Greece can possibly regain even her prewar position in her traditional lines of export. It probably will be necessary to develop new exports in order to achieve self-support. At present, the costs of production of both tobacco and dried fruits, the two principal export crops, are considerably higher than corresponding costs in the United States, in spite of the much lower Greek wage rates. Other former sources of Greek revenue from abroad may also be difficult to recapture. These problems have been obviously intensified by the damaging fiscal policies of the Greek Government.

Production and consumption of domestic lignite must be expanded to reduce the need for imports of coal. A preliminary estimate indicates that an expenditure of \$18,000,000 in development of lignite resources would make possible the production of 1,200,000 tons per year. This is equivalent to 365,000 tons of coal. Use of this quantity of lignite, together with an expanded hydroelectric capacity, would reduce foreign exchange requirements for coal to a small fraction of prewar requirements.

Mineral resources may become one of the principal Greek assets in the expansion of exports to pay for essential imports. Considerable venture capital will be required, however, for exploratory and developmental work before the extent of these resources will be known. At the present time, private firms with the technical ability and capital necessary for such work are unwilling to undertake it because of the precarious military situation.

The sale of an additional 50 Liberty ships to Greek shippers is being held up because of the inability of the shippers to arrange financing. The acquisition of these ships would be of material assistance in earning additional foreign exchange. It is estimated that about 60 percent of the gross foreign exchange earnings of these ships would directly or indirectly become available to the Government to finance imports.

The agriculture program now being undertaken by the American mission envisages expansion of agricultural production both for domestic consumption and for export. The most immediate project is the drilling of wells and the installation of 2,400 power pumps provided by UNRRA. Greece now has about 500,000 acres under irri-

gation. The mission estimates that this area ultimately can be doubled. Application of water to Greek soil can raise the productivity, on the average, by about threefold. The construction of certain hydroelectric projects believed to be economically feasible would not only provide electric power to replace coal but would also supply water for irrigation. The construction of a nitrate plant for fertilizer production would become possible with the development of hydroelectric power sources.

Other steps being undertaken by the mission to increase agricultural production include distribution of farm equipment supplied by UNRRA and the supply of additional equipment with United States funds; supply of seeds and fertilizers; establishing of food-processing plants to conserve foods; expansion of fishing; and the development of agriculture research centers. Efficient use of the meager domestic production is further hindered by the almost impassible roads and by destruction of rail transport.

A thorough analysis of the pattern of Greek agriculture in the light of postwar-world conditions is needed. Considerable work in the field is already being undertaken by the agricultural staff of the Griswold mission. A preliminary survey suggests the desirability of replacing a considerable amount of tobacco production with potatoes.

It is apparent that major modifications of the Greek economy of the nature indicated above will be necessary if Greece is to be able to achieve a balanced Government budget and a balanced national economy which do not require constant foreign aid. However, adequate studies of long-range capital requirements have not yet been made, and it is impossible to forecast the amount of capital which will be required. Given a stable political situation, most, if not all, of the investment programs should be self-liquidating.

IV. ADMINISTRATION OF FOREIGN AID PROGRAMS

The committee believes that the experience gained in Greece in the administration of foreign aid programs should be of value to the Congress during its consideration of future programs which may be submitted to it.

The UNRRA concept of administration should be avoided. Unfortunately the UNRRA program in Greece, through its supply of every sort of commodity, created the false impression among the Greeks of an unlimited horn of plenty which could be drawn upon at will. This resulted in the use of UNRRA supplies to bolster a collapsing economy and thereby to avoid the initiation of drastic reforms which were essential if Greece were to have any chance of becoming self-supporting again. For example, food subsidies which were made possible by the UNRRA regime cannot be maintained by the Greek Government. The free-milk program for children alone costs \$28,000,000 a year; and although its worth cannot be disputed, means must be found to make it at least partially self-supporting.

Inadequate screening of Greek requirements was provided by UNRRA. Agricultural equipment, food, medical equipment, construction equipment, and similar items were often ordered and delivered without regard to Greek needs or to the ability of the Greeks to use the equipment. Consequently, many millions of dollars' worth

of unsuitable supplies lay undistributed and unused in Greek warehouses. The administration of Export-Import Bank credits has been considerably more efficient, because the bank has required the designation of both the type of equipment and the use to which funds were to be put prior to their release. As a further control, a Foreign Trade Administration has been established, on the advice of the Griswold mission, to provide a thorough screening of all imports, including those purchased with private funds.

A second basic shortcoming in UNRRA was that it operated on the principle that supervision of the use of only those supplies actually provided by UNRRA was sufficient. It failed to take into account the possibility that the effectiveness of foreign aid could be even more easily negated by misuse of similar amounts of domestic commodities or by failure to take effective action to control inflation.

In contrast, the terms of reference of the United States aid mission recognize the basic principle that foreign aid is a contribution to the total pool of resources available to a recipient country and that efficiency in the use of this total pool is the real measure of whether or not the aid supplied will achieve its basic purpose of ultimately reestablishing economic self-support.

The effectiveness of any foreign aid program will be measured by the success of the recipient government in restoring economic and monetary stability while at the same time maintaining individual freedom. This should constitute the primary test for the continuance of any future aid program.

United States postwar aid to Greece

[In millions of dollars]

Lend-lease:	
Watercraft.....	37.6
Ordnance, military vehicles.....	4.9
Food.....	32.5
Commodities other than food.....	6.5
	<hr/> 81.5
OFLC surplus property credits.....	80.0
Export-Import Bank loan.....	14.0
100 Maritime Commission Liberty ships, credit.....	45.0
United States share of UNRRA.....	302.0
United States foreign relief.....	40.0
Greek-Turkish aid program:	
Consumer goods import.....	84.4
Reconstruction material imports.....	24.5
Agricultural rehabilitation.....	12.0
Military.....	171.9
Health.....	2.3
Civil training.....	.3
Administration.....	4.5
Reserve.....	.1
	<hr/> 300.0
Total Government aid.....	862.5
Non-Government:	
Greek War Relief Association.....	12.5
Near East Foundation.....	1.5
	<hr/> 14.0
Total of all United States aid to Greece.....	<hr/> 876.5

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 5 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. GEORGE to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz:

- 1 On page 20, line 22, after the period add the following
- 2 sentence, to wit: "In arranging for the procurement and
- 3 transfer of any commodity, established trade channels shall
- 4 be used to the maximum extent practicable."

AMENDMENT

Intended to be proposed by Mr. George to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 5 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 5 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. GEORGE to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 22, following section 12 (c), add a new section, to wit:

- 1 In procuring any agricultural commodity for transfer
- 2 by grant to any participating country in accordance with
- 3 the requirements of such country, the Administrator shall
- 4 provide for the procurement of such commodity within the
- 5 United States whenever there is an exportable surplus of
- 6 such class or type of such commodity.

AMENDMENT

Intended to be proposed by Mr. George to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 5 (legislative day, FEBRUARY 2), 1948
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S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 5 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. BROOKS (for himself, Mr. WHERRY, Mr. REED, Mr. BREWSTER, Mr. CAIN, Mr. ROBERTSON of Wyoming, Mr. DWORSHAK, Mr. HAWKES, Mr. BUTLER, Mr. MALONE, Mr. ECTON, and Mr. WATKINS) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 27, between lines 15 and 16, insert a new subsection as follows:

- 1 (g) Not to exceed 3 per centum of the total funds
- 2 appropriated for the purposes of this Act may be employed
- 3 by the Administrator under such regulations as he shall
- 4 impose to pay the ocean freight charges from a United

1 States port to a designated port of entry of any of the par-
2 ticipating countries, on relief packages conforming to speci-
3 fied size, weight, and contents, originating in the United
4 States and consigned to some individual residing in one of
5 the participating countries.

6 All costs of any such relief package, including shipping
7 costs, shall be paid by shipper from point of origin to United
8 States port designated by Administrator.

9 The Administrator shall consult with the Secretary of
10 State with a view of having included in bilateral agreements,
11 as authorized under section 15 (a) of this Act, right of free
12 entry of such relief packages as are certified as such under
13 authority of the Administrator, into the territory of any
14 participating country. Such bilateral agreements shall also
15 provide for the payment out of sums of local currencies as
16 are placed in a special deposit as provided in section 15
17 (b) (6) of this Act, transportation cost at regular and usual
18 rates, from port of entry of the particular participating
19 country in which the said local currency deposit exists, to
20 designated shipping point of consignee.

AMENDMENT

Intended to be proposed by Mr. Brooks (for himself, Mr. WERRY, Mr. REED, Mr. BREWSTER, Mr. CAIN, Mr. ROBERTSON of Wyoming, Mr. DWORSHAK, Mr. HAWKES, Mr. BUTLER, Mr. MALONE, Mr. ECTON, and Mr. WATKINS) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 5 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 5 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. BREWSTER to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 22, after line 20, insert the following:

- 1 (d) The Administrator shall require the use of vessels
- 2 documented under the laws of the United States for trans-
- 3 portation of not less than 50 per centum by weight of
- 4 commodities procured within the United States for transfer
- 5 to participating countries, provided such vessels are available,

AMENDMENT

Intended to be proposed by Mr. Brewster to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

МАРЧ 5 (legislative day, ФЕВРУАРИ 2), 1948

Ordered to lie on the table and to be printed

6. LABOR-FEDERAL SECURITY APPROPRIATION BILL, 1949. Passed without amendment this bill, H.R. 5728 (pp. 2414-32). Rejected several amendments, including one by Rep. Fogarty, R.I., to increase from \$2,500,000 to \$4,073,700 the appropriation for the Bureau of Labor Statistics (pp. 2425-9). Rep. Fogarty discussed the types and purposes of statistics compiled (pp. 2426-7).
7. PRICES. Rep. Arends, Ill., claimed the present Administration has been inconsistent on its stand on prices, inflation, and taxes (pp. 2407-8).
8. FOREIGN AID. Rep. Rich, Pa., urged that consideration be given the U.S. first before granting foreign aid, and made comparisons of property values in the U.S. with proposed aid amounts (pp. 2434-6).
Rep. Kersten, Wis., urged that more food be made available to miners in Germany (p. 2407).
Rep. Cox, Ga., spoke in favor of aid to China (p. 2408).
Rep. Jarman, Ala., criticized the delay in providing for an ERP (pp. 2409-10).
9. EXPORTS. The "Daily Digest" states that the Banking and Currency Committee voted to favorably report (but did not actually report) H.R. 5470, to remove price criteria as a factor in the granting of export licenses (p. D210).
10. REPORTS. Received the annual reports of the Federal Security Agency and the Public Health Service (p. 2436).

BILLS INTRODUCED

11. FOREST FIRE CONTROL. S. 2275, by Sen. Ellender, La., to authorize appropriations for additional forest-fire control. To Agriculture and Forestry Committee. Remarks of author (p. 2356.)
12. AID TO CHINA. H.R. 5748, by Rep. Clason, Mass., to provide means for financing a U.S. program of reconstruction in China and to create agencies to carry out such a program. To Foreign Affairs Committee. (p. 2436.)
13. VETERANS' BENEFITS. H.R. 5755, by Rep. Stevenson, Wis., "to amend section 14 of the Veterans Preference Act of 1944." To Post Office and Civil Service Committee. (p. 2436.)

ITEMS IN APPENDIX

14. OLEOMARGARINE TAXES. Extension of remarks of Rep. MacKinnon, Minn., opposing repeal of oleomargarine taxes and discussing the effect of such repeal on milk prices (pp. A1525-6).
Rep. Davis, Wis., inserted a Hoard's Dairyman article opposing oleomargarine-tax repeal (pp. A1514-5).
15. CIVIL SERVICE RETIREMENT. Rep. Heselton, Mass., inserted three articles by Jerry Kluttz (Washington Post) explaining the recent amendments to the Civil Service Retirement Act (pp. A1487-8, A1498-9, A1501-2).
16. FOREIGN AID. Sen. Maybank, S.C., inserted James F. Byrnes' recent address on the ERP (pp. A1479-91).
Sen. Canehart, Ind., inserted an Indianapolis Star editorial commending Sen. Canehart's ERP proposals (p. A1491).

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
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HIGHLIGHTS: Senate debated measure to restore certain Sec. 32 funds and make them available for foreign aid. Senate debated ERP bill; agreed to restrict shipments to nonparticipating countries. Sens. Johnston and Maybank recommended oleo-tax repeal. House passed Labor-Federal Security appropriation bill. Rep. Arends claimed inconsistency in administration's price policies. Senate passed bills to add lands to Shasta and Superior Forests. Sen. Ellender introduced and discussed bill for additional forest-fire control.

SENATE

1. EUROPEAN RECOVERY PROGRAM. Continued debate on S. 2202, the ERP bill (pp. 2360-2, 2372-404). Agreed to a Knowland amendment prohibiting exports to nonparticipating European countries of any commodity which the Commerce Department determines is insufficient for participating countries, unless that Department determines such export to be in the U. S. interest (p. 2372).
2. SURPLUS COMMODITIES. Debated, but passed over on objection of Sen. Williams, Del., S. J. Res. 187, which authorizes use of Sec. 32 funds in connection with the foreign-aid program and restores \$40,000,000 of these funds. During debate on the measure, there was discussion of the citrus, dried-fruit, egg, and potato situation. (pp. 2367-70).
3. FORESTS. Passed without amendment H. R. 3175, to add certain public and other lands to the Shasta National Forest, Calif. (p. 2364). This bill will now be sent to the President.
Passed as reported S. 1090, to safeguard and consolidate certain areas of exceptional public value within the Superior National Forest, Minn. Agreed to a committee amendment reducing the amount of payments in lieu of taxes. (pp. 2371-2.)
4. OLEO TAXES. Sens. Johnston and Maybank, S. C., spoke in favor of oleo-tax repeal (pp. 2355, 2359-60).
5. EDUCATION. Both Houses received the President's message transmitting the State Department's report on the educational exchange program with China; to Senate Foreign Relations Committee and House Expenditures Committee (H. Doc. 562) (pp. 2355, 2414).

Courcy. He publishes what is known as the Intelligence Digest, a review of world affairs. In Europe and Canada, and throughout the British Empire, this Intelligence Digest is held in high regard by those who desire to know what is going on in the world.

Mr. De Courcy publishes an American edition of the Intelligence Digest.

Mr. De Courcy and his nephew, Michael, are now in America. They will spend several days in Washington.

I was interested to note that in the March issue Mr. De Courcy brings out Russian activities in the United States. He speaks of Mr. Oumansky, who, when living, ranked above the Soviet Ambassador in Washington, and who, from Washington, went to Mexico. Mr. De Courcy says that just before his death, Oumansky wrote an important secret report dealing with espionage and sabotage against the United States. In this report he said the Germans had failed miserably in their organization of a fifth column in the United States, that no effective German sabotage took place, and that the secret agents of Germany who landed in the United States effected nothing because they did not go at their task in the right way.

Oumansky, in his report, showed how the FBI had tracked these agents down. He stated there was no effective internal German organization in the United States. He brought out the need of the Russians perfecting an internal organization here. He proceeded to state that there was no country in the world where it was easier to organize a spy system than in the United States, and that the Union of Soviet Socialist Republics must learn from the mistakes Germany had made.

He stated further that the United States had two vulnerable points—the Panama Canal and the locks at the Sault Ste. Marie—that if these two points were attacked, it would seriously hamper America's war effort. Mr. Oumansky thought preparation should be made at once for sabotaging these two main strategic points.

He stated that Germany had made a mistake which Russia must avoid, namely, the open creation of a bund. It will be remembered that the Germans had a German bund in this country. He said that important people should be excluded from any Russian activity along this line. He strongly advocated the limitation of each agent to one particular activity.

Mr. President, I am bringing this matter to the attention of the Senate because this is a report by a former Russian Ambassador to his country, telling why Germany failed in its sabotage, and what is necessary in the creation of a successful Russian agency in this country, so that if and when an emergency arises, they will have an adept and efficient organization.

Soon after Oumansky's death the Soviet Government gave orders for this work to start. In November 1945 two officers of the Russian Intelligence traveling under the names of Vladimir Novak and Joseph Erdman arrived in Mexico City. They soon left on their mission,

which included extensive travels in the Panama Canal Zone. In May 1946 they showed up in Cuba; how long they stayed there is not certain. Traveling under other names, they went in August 1946 by air to Florida. Later they went north and west and eventually returned to Mexico.

The report of this extremely important trip was submitted to the MVD in December 1946, and presently the Intelligence Division of the Russian General Staff examined the conclusions of the report with very great care.

On the whole, they recommended Oumansky's memorandum. They pointed out that deterioration in the relations between the U. S. S. R. and the United States already made it urgent to act without delay.

By February 1947 Moscow had a complete geographical survey of the whole problem worked out, based on Oumansky's memorandum and the special intelligence report of those agents. The whole organization has since made a great deal of progress, and is now being increased by every possible means in the power of the Soviet Government.

Since the spring of 1947, Russian agents have been arriving in considerable numbers in Latin-American countries, especially Costa Rica, Cuba, Haiti, Mexico, and Colombia. The discoveries made in Canada revealed only a part of the great system of spies which is being organized to undermine the defenses of the United States.

Mr. President, when we face what is before us in the world today and reflect on what took place in Czechoslovakia, and what it is prophesied will take place in Italy in the next few weeks, the question which arises in my mind is whether or not we are adequate to meet any of the impacts of these effective Russian plans. To me that is the issue we must face today. We may continue quarreling about our internal differences and perhaps fall asleep to the serious threats from this area of the world—the Russian manner of penetration.

Mr. President, I trust and hope that we are not so blind as not to realize that we must meet head-on the plans of the shrewdest international manipulators in world history.

THE TAX ON OLEOMARGARINE

Mr. MAYBANK. Mr. President, there appears in the current issue of Life magazine, an editorial entitled "Margarine versus Butter." While I do not submit this article in opposition to any dairy interests, but I feel that it presents an excellent argument against the present unjust restrictions and taxes placed upon this product.

As is well known, I have repeatedly asked that these restrictions against margarine be removed.

In 1943 I introduced Senate bill 1426, designed to suspend, for the duration, the existing 10 cents per pound tax on margarine containing yellow color, whether artificial or otherwise, and to restrict the definition of the term "manufacturer" for the duration, so that restaurants, boarding houses, hospitals, and so forth, could color margarine and serve

it to their patrons, guests, and employees without incurring the \$600 annual license fee now imposed upon them.

The war is over, and although butter is now more plentiful than at the time this bill was introduced it is still outside of the financial reach of many. On Wednesday I shall again appear before the Senate Finance Committee with my proposed amendment to H. R. 4790 which would accomplish the same purpose now as S. 1426 would have done during the war.

I, therefore, ask unanimous consent to have this editorial printed in the RECORD as a part of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

MARGARINE VERSUS BUTTER—A GOOD FIGHT TO GET IN ON

There's a good fight shaping up in Congress in which all American housewives have a stake. If their side wins they can save at least \$6,000,000 a year on grocery bills and an estimated 88,000,000 woman-hours a year in the kitchen. The country would also save 52,000,000 bushels of grain, which could be exported to hungry world instead of being fed to cows and churned into butter. At least that is what the makers of oleomargarine figure. Even if they exaggerate, there is no doubt that their side in this fight is the side of the housewife, of justice, and of common sense.

For the first time in over 60 years the margarine makers have a fighting chance to reduce or repeal the discriminatory taxes on margarine which have been imposed on consumers by the butter lobby. Margarine is the only modern case of a perfectly respectable commodity being taxed directly by the United States Government just to keep down its sales for the benefit of a rival product. In addition to this direct tax a licensing law keeps half of all grocers from handling margarine; the sale of colored margarine is prohibited entirely in 23 States; and the United States Army and Navy are forbidden by law to use any kind of margarine, as are the public hospitals, jails, etc., of 17 States.

In spite of this the per capita consumption of margarine has gradually gone up, especially since 1940. Such is the achievement of the patient margarine makers, whose product, made from vegetable oils instead of milk, is no less nutritious than butter, and whose prices, despite the tax handicap, are a whole lot lower. Most housewives who can get margarine for 30 cents or 40 cents aren't going to pay 90 cents for butter, even if they have to waste time mixing in the color. So the tax is just a senseless penalty and an empty monument to the power of the butter lobby.

Whether you like margarine or not, you must agree that this is a fairly outrageous situation. When the first antimargarine tax was passed in 1886 there were enough fraudulent margarine makers to lend a slight pro bono publico flavor to the legislation. That hasn't been true for years. The butter lobby's main argument for the tax nowadays is that dairy farming is a great national asset. Representative MURRAY of Wisconsin brings a toy Holstein into the House, describes the miraculous food-producing powers of her species, and calls her "the foster mother of the human race." No doubt she is all of that, but the soybean and the cottonseed are productive little assets too. Indeed, the soybean has recently been winning more new congressional friends than the cow. And this year the soybean and cottonseed Congressmen, sparked by a Republican freshman from Indiana named

MITCHELL who used to peddle margarine from a truck, have organized a lobby which is as loud and enthusiastic as the butter lobby is quiet and smooth. They have been promised hearings on some of the many justice-to-margarine bills now in the House Agriculture Committee. This committee is dairy dominated and has smothered many such bills before. It may smother them again but, as we say, there is a fighting chance. So if you are tired of having margarine discriminated against, write to your own Congressman or to Representative EDWARD MITCHELL. Incidentally, did you know that in the wintertime butter is artificially colored too?

CALL OF THE ROLL

Mr. WHERRY. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Alken	Gurney	Moore
Ball	Hatch	Morse
Barkley	Hayden	Myers
Brewster	Hickenlooper	O'Connor
Bricker	Mill	O'Daniel
Bridges	Hoey	O'Mahoney
Brooks	Holland	Overton
Buck	Ives	Pepper
Butler	Jenner	Reed
Byrd	Johnson, Colo.	Revercomb
Cain	Johnston, S. C.	Robertson, Va.
Capehart	Kern	Robertson, Wyo.
Capper	Kilgore	Russell
Chavez	Knowland	Saltonstall
Connally	Langer	Smith
Cooper	Lodge	Sparkman
Cordon	Lucas	Stennis
Donnell	McCarrian	Taylor
Downey	McCarthy	Thomas, Okla.
Dworschak	McClellan	Thomas, Utah
Eastland	McFarland	Thye
Eaton	McGrath	Vandenberg
Ellender	McKellar	Watkins
Ferguson	McMahon	Wherry
Flanders	Malone	Wiley
Fulbright	Martin	Williams
George	Maybank	Wilson
Green	Millikin	

Mr. WHERRY. I announce that the Senator from Connecticut [Mr. BALDWIN] is absent because of the death of the Governor of Connecticut.

The Senator from South Dakota [Mr. BUSHFIELD] and the Senator from New Jersey [Mr. HAWKES] are necessarily absent.

The Senator from New Hampshire [Mr. TOBEY] is absent because of elections in his State.

The Senator from North Dakota [Mr. YOUNG] is absent by leave of the Senate.

Mr. LUCAS. I announce that the Senator from Washington [Mr. MAGNUSON] and the Senator from Montana [Mr. MURRAY] are absent on public business.

The Senator from Tennessee [Mr. STEWART] is absent by leave of the Senate.

The Senator from Maryland [Mr. TYDINGS] is absent because of illness.

The Senator from North Carolina [Mr. UMSTEAD] and the Senator from New York [Mr. WAGNER] are necessarily absent.

The PRESIDENT pro tempore. Eighty-three Senators having answered to their names, a quorum is present.

Under the unanimous-consent agreement, the Senate will proceed under the 5-minute rule.

EUROPEAN RECOVERY PROGRAM

Mr. McKELLAR. Mr. President, when the Marshall plan was first announced

and I read it, I tried to read it with some care. After reflection I rather came to the conclusion, because of the enormous loans, or gifts involved, and especially after we had made so many already, that I would vote against it when it came up for a vote in the Senate.

In the last few weeks, however, conditions have arisen which have caused me to reconsider the opinion I then reached on the European recovery program, or Vandenberg bill, S. 2202, and I am obliged to say that a careful reconsideration in connection with facts that have developed in Europe since that time and the specific fact of Russia taking over Czechoslovakia last week or week before last, and her efforts to take in Finland last week and this week, have caused me to change my mind. At this time I believe that I should vote for the Vandenberg bill, putting into effect the Marshall plan.

Mr. President, like every other good American citizen, when the late World War II was over, I joined in the hope that we would never have another war. I hoped we could have an agreement among the nations of the earth to keep the peace for all time—those nations which had been so sorely afflicted as to be in the war and those which were not in the war but which had seen its devastation. It seemed that the world was tired of war.

I know I felt that way with all my heart. I voted for the United Nations, and I hoped that it would be able to set up machinery that would forever stop war—and I believe the people of most other nations felt the same way.

Russia as a nation did not seem to agree with that view. Her statesmen have made every effort and have taken every step possible to prevent the making of an agreement to keep the peace. Instead of being opposed to war, I am vinced that her leaders feel that she is not exactly ready for war, but they are hoping that the time will soon come when they can go to war and perhaps take over the world.

Twenty or more years ago I visited Russia. I met a number of her prominent men. I saw her people. I saw large portions of the country. She has a large area, but she did not seem to me to rank with the British Nation, or the French Nation, or the German Nation, or our own Nation, or many other nations, and I do not think she ranks with them now. I think she is determined to take over Europe and put it under the banner of communism, if it is humanly possible.

I am utterly opposed to communism. I am opposed to its every principle and to its every tenet. I believe that today it is the greatest enemy that freedom has or that humanity has.

Last year, and even this year, I had thought that we ought to reduce our Army to a skeleton of an army, as we have always done after other wars were over, and let our people go back to peaceful and free pursuits. But Russia's actions in taking over and in continuing to take over free nations of Europe have made me believe that America has another duty at this time.

We ought to put our Army in condition, our Navy in condition, our Air

Corps in condition, our Marine Corps in condition, and every other like agency in condition with one distinct purpose in view: That if Russia takes over another nation or attempts to do so, our Nation will take the lead in defending that nation and all the other free nations of Europe.

Mr. President, I am a peaceful man. I do not believe in making war, but when I see another nation not only preparing to make war on us but taking over other nations that will add to her strength, I think we ought to look the facts squarely in the face and let it be known that America will help the free nations of Europe—England, France, the part of Germany that England, France, and America control, Spain, Italy, Switzerland, Holland, Belgium, Denmark, Norway, Sweden, Greece, Turkey, Austria—and all other nations that want to join us, and give Russia notice that if she undertakes to take over any more European territory we are at the service of those nations and will help them maintain their individuality and their independence.

These two facts—Russia taking over Czechoslovakia and Finland, together with Russia's taking over such a large part of Germany, and her failure even to negotiate on a peace treaty settling the status of Germany and the various other nations of Europe, as well as her action toward Greece and her solicitations in Italy, seem to me to make it apparent that Russia's definite plan and purpose is to take over the remaining nations of Europe which she has not already taken over—and, I might add, perhaps some of the far eastern nations.

In my judgment, for her to do this would be hurtful to herself, it would be hurtful to every one of the nations taken over in Europe, and it would be enormously hurtful to America in interfering with our peaceful trade and commerce with the nations of Europe and with the other nations of the world.

To be perfectly frank, these considerations have caused me to reach an entirely different conclusion; and when the Vandenberg bill comes to a vote I expect to vote for it.

Mr. FULBRIGHT and Mr. KEM addressed the Chair.

The PRESIDENT pro tempore. With the consent of the Senate, the Chair will recognize the Senator from Arkansas for 5 minutes, inasmuch as he must leave the Chamber.

Mr. FULBRIGHT. Mr. President, in the course of the debate on March 3, it became clear that although the chairman, the distinguished senior Senator from Michigan [Mr. VANDENBERG] and other members of the Committee on Foreign Relations, approve of the objective and purpose of the amendment which I have offered, at the same time they strongly object to its inclusion in this legislation.

The distinguished chairman of the committee said during the debate:

So long as the record is as clear as it is—and the Senator is making it clear, as the committee report makes it clear—it is practically the universal opinion that the consolidation of the western European countries

along the line of which the Senator is speaking is the pattern of realistic hope.

Later he added:

I wish to make it quite plain that I share all these hopes for European unification. I see little long-range hope except as there can be a consolidation which is substantially more than economic.

In view of these statements of the chairman of the committee, and out of consideration for his request that this amendment be not pressed at this time, I am withdrawing it. I am withdrawing it, however, with an understanding with the Senator from Michigan that within the near future and before the adjournment of this Congress the Committee on Foreign Relations will hold hearings and consider Senate Concurrent Resolution 10, which expresses the approval of the Congress of a United States of Europe.

Although I am withdrawing the amendment at this time, I wish to reaffirm my conviction that the unification of Europe is essential to the future peace of the world, and that this country should do everything in its power to promote such a union. I am confident that if the Committee on Foreign Relations considers the matter it will act favorably upon the expression of our approval of European union.

Mr. President, within the last few days five of the principal western European countries have sent delegates to Brussels to consider plans for bringing about a closer union of their respective countries. In view of all the circumstances which now prevail it is obvious the time has arrived for decisive action. The opportunity is here now and it will be a great tragedy for Europe and for us if this opportunity is missed because of hesitation and timidity. Without the unification of western Europe there is little hope for that larger unity envisioned by the United Nations, without which the endless repetition of devastating wars is inevitable.

It is with reluctance that I withdraw the amendment, but in view of the opposition of the committee, and therefore its almost certain defeat by this body, and the probability that such a defeat would be interpreted as this Nation's disapproval of European unity, I feel compelled to follow this course. I can only hope that the debate which has taken place will strengthen the determination of the Europeans and will induce the Congress, before it adjourns, to give its blessing to the efforts of the Europeans to bring order and unity out of their present chaotic nationalism.

It is extremely unfortunate that at this critical period in the affairs of the world, we find ourselves in this country divided and torn apart by internal quarrels which distract our attention from the danger arising from Soviet aggression.

Mr. President, the lack of unity is the greatest weakness of the democracies. I had hoped that through this bill we might take at least a small step in the direction of unity. I still feel that unless the CEEC countries can achieve political unification during the next few years, the ERP program not only will fail to bring peace and stability to Europe, but, on the contrary, if those countries

succumb one by one to the Communists, it will actually result in a tremendous subsidy at our expense to the growth of Communist power.

Mr. President, last Wednesday the St. Louis Post-Dispatch carried an editorial relating to this subject, which I ask unanimous consent to insert in the RECORD following my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE BRUSSELS CONFERENCE

The falling of the iron fist on Czechoslovakia and Finland gives new importance and urgency to the conference opening in Brussels today on the formation of a union of western Europe.

While Britain, France, and the United States have been talking about a United States of Europe, Russia has been creating one. Russia now has eastern and central Europe firmly under its hand and is rumbling at the gates of the western European nations.

As far back as 1943, Winston Churchill proposed to Washington the creation of a confederation of Europe. But the State Department evinced no interest. The Senate has been equally dilatory. It has taken no action on the year-old Fulbright resolution favoring the formation of a United States of Europe within the frame-work of the United Nations.

While the Senate neglects the Fulbright resolution, with its limited and realistic objective, a group of Republican Senators headed by BALL, of Minnesota, and BREWSTER, of Maine, confuse the picture with a proposal for an entirely new international organization with the power to bind its members to military action. It is more than a little strange that Senators who have not become interested in encouraging a union of western Europe would now—in an election year—raise an issue involving the impairment of American sovereignty.

Prime Minister Attlee and Foreign Secretary Bevin are more realistic. They are apparently throwing the still large influence of Great Britain into the organization of a firm federation of free Europe. Prime Minister Attlee says the Brussels meeting will cover all aspects of European union—economic, social, political, and military. Only Britain, France, and the Benelux countries are represented at the current meeting, but the object is to enroll the rest of western Europe within a year.

Mr. Attlee has long advocated a United States of Europe. More than 2 years ago, he said, "Europe must unite or perish." It may have sounded then like a slogan. Now, it seems a cold, bare, immutable fact.

Even the Scandinavian countries, which until last week had followed the Czech line of trying to serve as a bridge between Russia and the west, are now openly denouncing Russia and calling for a western Europe which can place herself as a strong partner by America's side.

Scandinavia's peril consists in being geographically so close to Finland and Russia. In Italy and France, political conquest is the greater danger.

The Communists are gaining strength in Italy, where they polled 38 percent of the votes in the last general election. If the Communists do not win the general election in April, they may try a general strike or an uprising by their carefully drilled private army.

In France parliamentary government walks a tight rope between the Communists and the De Gaullists.

In this alarm and confusion, Congress moves toward the appropriation of billions of dollars for economic aid to western Europe. But dollars alone cannot do the job. For 2 years America has been aiding Italy at a rate comparable to that contemplated under

the Marshall plan, and yet the Italian situation has apparently grown worse.

To Britain we have given or lent some five billions since the war, but Britain has had to dig into its own gold and dollar reserves by an additional four billions. The bottom of the barrel is in sight.

Something more is required than loans from the United States. Though loans may temporarily stave off disaster, they do not restore self-confidence, revive buoyancy and hope, or stir the imagination of the recipients.

How can western Europe possibly become inspired or invigorated as long as it clings to a division and disunion—a worship of petty nationalism—which compels it to rely on the United States for economic assistance and military protection?

In the air and atomic age, the massed billions necessary for a powerful armed force are simply not within reach of small or medium-sized nations. These exist solely on sufferance of the great powers. That sufferance, in the case of Russia, is so small as to be virtually nonexistent.

So if the United States is ever to be able to lay down its burden of guardianship over western Europe, there must come into existence a firm political, economic, and military union of the part of the Continent which is still free to make its own destiny.

The overpowering need of Europe, both from its own point of view and that of America, is a restoration of the balance of power. And there is no chance of achieving a balance against Russia except by uniting Europe in the West.

The idea of European union is now present, the climate of opinion is favorable, and the firm support of the United States could very well prove decisive.

Mr. FULBRIGHT. Mr. President, I now ask to withdraw the pending amendment.

The PRESIDENT pro tempore. The Senator from Arkansas withdraws his amendment to Senate bill 2202. With the indulgence of the Senate, the senior Senator from Michigan would like to express his thanks to the able Senator from Arkansas for his cooperation and to assure him that his resolution will have every possible consideration in the committee.

Mr. FULBRIGHT. I thank the Senator.

Mr. CONNALLY. Mr. President, will the Senator yield?

The PRESIDENT pro tempore. Does the Senator from Arkansas yield to the Senator from Texas?

Mr. FULBRIGHT. I yield for a question.

Mr. CONNALLY. Mr. President, I want to comment very briefly on the Senator's statement and on his amendment which he has now withdrawn. It seems to me that however desirable the objectives of the Senator from Arkansas, which objectives are shared no doubt by many other Members of the Senate, if there is to be a western association of nations it must essentially come by their own initiative and through their own action. It is true that under the Charter of the United Nations they may, within the United Nations, form a regional arrangement, but for us to undertake in the pending bill or otherwise directly to suggest and advance the idea, it seems to me, might injure the objective and might retard the movement itself, on the plea that we are going beyond our proper function and are undertaking to influ-

ence the action of these nations. All Senators share the view that we should like to see the nations of western Europe that have the same democratic ideals and purposes as this Nation has, unite in forming an organization to resist the encroachments of totalitarianism upon their territories and among their people. But I congratulate the Senator for withdrawing his amendment at this time. As a member of the Foreign Relations Committee I shall most cordially hear him on the question. It is a question of tremendous importance; it has many delicate aspects and phases, and it, therefore, requires the most studious attention and consideration. I am sure the Senator can rely upon the committee's giving him his day in court. What the result will be I cannot, of course, foretell.

Mr. FULBRIGHT. I thank the Senator.

Mr. CONNALLY. It is, however, a question that we ought not to permit to become entangled in the pending measure, which is based entirely upon the theory of extending temporary relief and furnishing facilities to certain nations with which to rebuild their broken fortunes, and to strengthen them, in order that they may stand upon their own feet. That is the very heart of the bill. The beneficiary European nations should be told and should be reminded, as I am sure they will be after the Administrator is appointed, that unless they employ strenuous measures, militant measures, hard-headed measures, to do for themselves and to marshal every resource at their command to aid in their own reestablishment and their own strengthening, it will be in vain, and the United States, of course, cannot continue the course upon which it is embarking unless it receives the wholehearted cooperation and vigorous support of the countries of Europe that will become beneficiaries under this measure. I thank the Senator.

THE CALENDAR

The PRESIDENT pro tempore. Under the order of the Senate, the Chair must ask for a call of the calendar. Any Senator can be recognized for 5 minutes on any bill as the calendar is called. The clerk will proceed to state the measures on the calendar, beginning with Calendar No. 952.

ANASTASIOS PANAGE IOANNATOS

The bill (H. R. 1298) for the relief of Anastasios Panage Ioannatos (known as Anastasios Panage Ionnatos or Tom Panage Yanatos) was considered, ordered to a third reading, read the third time, and passed.

ALIEN FIANCÉES OF MEMBERS OF THE ARMED FORCES

The Senate proceeded to consider the bill (H. R. 4838) to extend the period of validity of the act to facilitate the admission into the United States of the alien fiancées or fiancés of members of the armed forces of the United States, which had been reported from the Committee on the Judiciary, with amend-

ments, on page 1, after line 6, to strike out:

SEC. 2. Clause (b) of the proviso of the first section of the act approved June 29, 1946 (60 Stat. 339), is hereby repealed.

And on page 2, in line 1, after "Sec.", to strike out "2" and insert "3."

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

MRS. PEARL COLE

The bill (H. R. 2012) for the relief of Mrs. Pearl Cole was considered, ordered to a third reading, read the third time, and passed.

BERTHA M. ROGERS

The bill (H. R. 4331) for the relief of Bertha M. Rogers was considered, ordered to a third reading, read the third time, and passed.

STANLEY-YELVERTON, INC.

The bill (H. R. 2373) for the relief of Stanley-Yelverton, Inc., was considered, ordered to a third reading, read the third time, and passed.

NITA H. STANLEY

The bill (H. R. 2374) for the relief of Nita H. Stanley was considered, ordered to a third reading, read the third time, and passed.

JESSE F. CANNON AND OTHERS

The bill (H. R. 4541) for the relief of Jesse F. Cannon, Jackson Jones, and the estate of John Halstadt was considered, ordered to a third reading, read the third time, and passed.

JOHN E. PETERSON AND GUY F. ALLEN

The bill (S. 1654) for the relief of John E. Peterson and Guy F. Allen was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That John E. Peterson, an employee of the Federal Public Housing Authority, and Guy F. Allen, former Chief Disbursing Officer, Department of the Treasury, are hereby relieved of all liability to the United States for the payment of the sum of \$1,542.31, together with the interest due on such sum or any part thereof, representing the aggregate amount stolen in two robberies which occurred at project CAL-4905, Los Cerritos Trailer Courts, Long Beach, Calif., on May 6, 1945, and November 4, 1945, such sum having been stolen from the premises of such housing project offices and from the custody of the said John E. Peterson without fault on the part of either the said John E. Peterson or Guy F. Allen.

FIRE DISTRICT NO. 1, COLCHESTER, VT.

The bill (S. 1263) for the relief of Fire District No. 1 of the town of Colchester, Vt., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the Fire District No. 1 of the Town of Colchester, Vt., the sum of \$30,190.16, in full satisfaction of its claim against the United States for reimbursement

of expenses incurred by it in repairing damage to a sewer line, such damage having resulted from improper construction by Army authorities, who installed the sewer line pursuant to an agreement between the fire district and the Army: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

CLAIM OF CHARLES L. BAKER

The bill (H. R. 1131) to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim or claims of Charles L. Baker, was considered, ordered to a third reading, read the third time, and passed.

Mr. CORDON. Mr. President, I ask unanimous consent that the vote by which House bill 1131 was just passed be reconsidered, and that the bill be temporarily passed over. I have not yet had an opportunity to examine it carefully. I think there will be no objection.

The PRESIDENT pro tempore. Without objection, the vote by which the bill was passed is reconsidered; and, on objection from the Senator from Oregon, the bill will be temporarily passed over.

Mr. CORDON subsequently said: Mr. President, so far as I am concerned, I withdraw any objection to House bill 1131, and am glad to have it considered at any time during the call of the calendar.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the bill (H. R. 1131) was considered, ordered to a third reading, read the third time, and passed.

The PRESIDENT pro tempore. The clerk will state the next measure on the calendar.

DORIS D. CHRISMAN

The bill (S. 1164) for the relief of Doris D. Chrisman was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Doris D. Chrisman, of Daytona Beach, Fla., the sum of \$5,000, in full satisfaction of her claim against the United States for compensation for personal injuries sustained by her, and for reimbursement of hospital, medical, and other expenses incurred by her, as a result of an accident which occurred when the automobile in which she was riding collided with a United States Army vehicle, on United States Highway No. 1, 3 miles south of Oak Hill, Fla., on November 12, 1943: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof

and by inserting in lieu of said section a new section to be designated as section 506 and to read as follows:

"Sec. 506. If tolls are charged for the use of an interstate bridge constructed or taken over or acquired by a State or States or by any municipality or other political subdivision or public agency thereof, under the provisions of this title, the rates of toll shall be so adjusted as to provide a fund sufficient to pay for the reasonable cost of maintaining, repairing, and operating the bridge and its approaches under economical management, and to provide a sinking fund sufficient to amortize the amount paid therefor, including reasonable interest and financing cost, as soon as possible under reasonable charges, but within a period of not to exceed 30 years from the date of completing or acquiring the same. After a sinking fund sufficient for such amortization shall have been so provided, such bridge shall thereafter be maintained and operated free of tolls. An accurate record of the amount paid for acquiring the bridge and its approaches, the actual expenditures for maintaining, repairing, and operating the same, and of the daily tolls collected, shall be kept and shall be available for the information of all persons interested."

LAKE CHOUTEAU, OKLA.

The bill (S. 1958) to provide for the designation of the reservoir formed by the dam on the Grand River near Fort Gibson, Okla., as Lake Chouteau, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the reservoir formed between Salina and Fort Gibson, Okla., by the impounding of the waters of the Grand River by the dam now under construction north of Fort Gibson shall be known and designated on the public records as "Lake Chouteau" in honor of Maj. Jean Pierre Chouteau, who established the first white settlement in Oklahoma and was the first white man to navigate the Grand River which was named by him.

BILL PASSED OVER

The bill (S. 2201) supplementing the act entitled "An act authorizing the State of Maryland by and through its State Roads Commission or the successors of said commission, to construct, maintain, and operate bridges," was announced as next in order.

Mr. O'CONOR. Mr. President, in requesting that the bill go over, I will say that the senior Senator from Maryland [Mr. TYDINGS] is vitally interested in this proposed legislation but cannot be present today.

The PRESIDENT pro tempore. The bill will be passed over.

THOMAS D. SHERRARD

The bill (H. R. 3964) for the relief of Thomas D. Sherrard was considered, ordered to a third reading, read the third time, and passed.

SGT. JOHN H. MOTT

The bill (S. 182) for the relief of Sgt. John H. Mott was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Sgt. John H. Mott, of Denver, Colo., the sum of \$83, in full satisfaction of this claim against the United States for refund of a forfeiture of pay which was imposed upon him on November 11, 1944, by the commanding general, Second Air

Force, who subsequently determined that he had erroneously punished the said John H. Mott: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding \$1,000.

COLUMBIA HOSPITAL OF RICHLAND COUNTY, S. C.

The bill (H. R. 431) for the relief of the Columbia Hospital of Richland County, S. C., was considered, ordered to a third reading, read the third time, and passed.

CHARLES E. CROOK AND B. L. FIELDER

The bill (H. R. 2268) for the relief of Charles E. Crook and B. L. Fielder was considered, ordered to a third reading, read the third time, and passed.

MRS. INGA PATTERSON

The bill (H. R. 1152) for the relief of Mrs. Inga Patterson, widow of F. X. Patterson, was considered, ordered to a third reading, read the third time, and passed.

EXPORTATION OF SURPLUS AGRICULTURAL COMMODITIES

The joint resolution (S. J. Res. 187) authorizing the Secretary of Agriculture to utilize section 32 funds to encourage the exportation of surplus agricultural commodities and products thereof under foreign-aid programs was announced as next in order.

Mr. SALTONSTALL. Mr. President, may we have an explanation of the joint resolution? I make the inquiry because last December, if I remember correctly, the Committee on Appropriations reported a measure providing fifty-seven and one-half million dollars additional for the Commodity Credit Corporation, in order that food might be sent abroad at caloric value. That affected fruit in California and certain other commodities. I should like to know what this joint resolution would do, and if it would add to the appropriation for the Commodity Credit Corporation.

Mr. AIKEN. Mr. President, as the Senator from Massachusetts has stated, the emergency relief bill of last December authorized the Commodity Credit Corporation to incur a loss of up to fifty-seven and one-half million dollars in shipping perishable foods overseas at the caloric value. The loss was incurred very rapidly. For instance, potatoes delivered overseas were worth \$1.11 a hundred at the caloric value. The transportation costs were \$1.07, leaving only 4 cents to be returned to the Government.

Other obligations have been made for the shipment of eggs, citrus fruit juices, and dried fruits. The fifty-seven and one-half million dollars has been entirely obligated, and there is still a great need for supporting the price of dried fruits and citrus juices. Only this morning the Committee on Agriculture and Forestry held a hearing on a certain bill, and it was brought out at the hearing that grapefruit and orange growers are

now getting anywhere from 5 to 25 cents a box for their fruit. There are about 70,000 tons of dried fruit, principally prunes and raisins, on the Pacific coast with which something must be done, or they will have to be dumped. At the present time the Department of Agriculture cannot even dispose of what it has left on hand, to say nothing of supporting the price any further. Therefore it is asking for the restoration of the \$40,000,000 of section 32 funds, which were taken from it last summer by the appropriation bill.

The joint resolution further provides that these surplus perishable commodities shall be sold at the cost price, but the Secretary of Agriculture may contribute half the cost. In other words, they will be turned over to the European relief recovery program, not at caloric values—and of course citrus fruits have no caloric value whatsoever, although they have other values—at half the cost which the Department has been put to in attempting to support the prices:

Mr. SALTONSTALL. Mr. President, this measure restores \$40,000,000 of the Department of Agriculture appropriation which was cut off by the Budget. If that \$40,000,000 is restored, it will permit the Department of Agriculture, or the Commodity Credit Corporation, to sell at half price, the other half to be put up by the War Relief Agency of the War Department, to make up the full parity price in sending these commodities abroad.

Mr. AIKEN. The full amount of the support price. The Department has not been supporting citrus fruits, raisins, prunes, and so forth, at 90 percent of parity. It has been supporting potatoes at 90 percent of parity, as was required by the Steagall amendment. They have been purchasing raisins at 6½ cents a pound. I do not know what they have paid for grapefruit juice. They bought prunes at 9 cents a pound. Of course, that is not anywhere near parity. Whatever the cost, the relief agencies will pay half, and the other half will be charged up to the support price.

Mr. SALTONSTALL. If this is not done, then is it the opinion of the Senator that this food may have to go to waste, or be used for nonfood purposes?

Mr. AIKEN. It is my understanding that if the proposed action is not taken, the food may go to waste, because the only other outlet for it is in the normal channels of trade in this country, and it cannot be sold in that way at less than cost. The prices of citrus fruits and dried fruits generally have become so completely demoralized that they have practically no value on the market. They are selling in the open market for less than the support price, which was extremely low.

Mr. SALTONSTALL. So it is not a question of war relief in any way, or relief to foreign countries. The issue, is it not, is as to whether the Commodity Credit Corporation shall have an additional \$40,000,000 to support the market prices of certain commodities?

Mr. AIKEN. The Senator's understanding is correct.

Mr. CONNALLY. Mr. President—
The PRESIDING OFFICER (Mr. Ives in the chair). Does the Senator from

Vermont yield to the Senator from Texas?

Mr. AIKEN. I yield.

Mr. CONNALLY. I congratulate the Senator from Vermont. He will recall that section 32 was adopted some years ago. I think I offered the amendment in the Senate.

Mr. AIKEN. The Senator is correct.

Mr. CONNALLY. It was for the purpose of stimulating the exportation of agricultural commodities. We were at that time seeking measures to help agriculture. So that this is not a departure; it is simply making use of the policy we then adopted, which was arrested by the taking away of the funds. Is that correct?

Mr. AIKEN. The Senator is correct. Section 32 funds, which, under the law, would be available to the Department of Agriculture for this purpose, amounted to \$149,000,000. Out of that the Committee on Appropriations allocated \$65,000,000 to the school-lunch program, and then appropriated \$44,000,000 to the Department of Agriculture for the purpose of supporting prices. That left \$40,000,000, which ordinarily would have belonged to the Department of Agriculture to use for this purpose anyway, and that is what they are asking for now.

Mr. CONNALLY. As I recall, section 32 provides that 30 percent of the revenues from import duties may be set aside for the use of the Department of Agriculture, or some other agency, in paying what some would call export bounties to aid in the exportation of agricultural commodities to Europe and elsewhere.

Mr. AIKEN. That is correct.

Mr. CONNALLY. The pending measure merely provides that we shall return to a policy heretofore ordained and maintained by the Congress.

Mr. AIKEN. The Senator is entirely correct.

Mr. CONNALLY. We are doing it only in a limited way. Forty million dollars is a very small part of what ordinarily would be available.

Mr. AIKEN. One unfortunate effect of the provisions of the emergency relief act which was passed last December has been that countries of Europe were purchasing limited amounts of the commodities affected through the normal channels of trade. However, when Congress enacted the legislation providing that they should be paid for at the caloric value of wheat, it is my understanding that the foreigners stopped their purchases through the normal channels of trade. They waited for these products to be delivered naturally at the caloric value, and, of course, the Senator knows that grapefruit and oranges, prunes and raisins, have other values, but very small caloric values.

Mr. SALTONSTALL. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

The PRESIDING OFFICER. The Chair does not like to interpose in the debate, but the Chair would observe that the Senator from Vermont has had the floor for about 10 minutes, and that the Senate is proceeding under the 5-minute rule. Therefore the Chair recognizes the Senator from Massachusetts.

Mr. AIKEN. The Senator from Vermont assumed that the questions were being asked in the time of the Senators asking them.

Mr. SALTONSTALL. Mr. President, I should like to ask the Senator from Vermont one more question. Is it the Senator's understanding that if the joint resolution shall be enacted, \$40,000,000 will become available, or will it have to go through the Committee on Appropriations?

Mr. AIKEN. I should prefer a parliamentary ruling on that question. I think it would have to go through the Committee on Appropriations.

Mr. SALTONSTALL. I ask the question because the explanation in the report says:

Senate Joint Resolution 187 also cancels the rescission of the remainder of section 32 funds by the act of July 30, 1947, and thereby makes available an additional \$40,000,000 for the purposes of section 32 for the fiscal year ending June 30, 1948.

Mr. AIKEN. There was a question in my mind as to whether the Committee on Appropriations had the authority to rescind the \$40,000,000 in the first place.

Mr. SALTONSTALL. But is it the understanding of the Senator from Vermont that the matter does have to go through the Appropriations Committee?

Mr. AIKEN. I would think not. I should prefer, however, that someone who has had more experience than I have had in parliamentary procedure answer that question.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. AIKEN. I yield.

Mr. CONNALLY. I have not reviewed the subject recently, but it is my recollection of the provisions of section 32 that when the revenues came in they were, under section 32, automatically transferred to the fund we are speaking of. Therefore, action by the Appropriations Committee would not be required.

Mr. AIKEN. I agree with the Senator from Texas. There always was a question in my mind as to whether the Appropriations Committee had the right to take away the funds through legislation attached to an appropriation bill.

Mr. WHERRY. Mr. President, will the Senator yield for a question in my time?

Mr. AIKEN. I shall be glad to answer the Senator in his own time.

Mr. WHERRY. Will the Senator restate the reason why it is that these surplus agricultural products cannot be sold in the United States?

Mr. AIKEN. Because they cannot be sold for less than the support price, which is 90 percent of parity in the case of fruit, and because the market has become so demoralized that the support price, even low as it is, of 6½ cents a pound for raisins and 9 cents a pound for prunes, is still higher than the market price.

Mr. WHERRY. Does the surplus the Senator from Vermont is speaking of include only dried and fresh prunes? Are not some dried eggs included, which we cannot sell?

Mr. AIKEN. Yes; but I think the eggs which were on hand have been largely disposed of.

Mr. WHERRY. Not long ago there were some \$30,000,000 worth of eggs on hand.

Mr. AIKEN. Fifty million dollars' worth.

Mr. THYE. Mr. President—

Mr. WHERRY. Just a minute, please.

The PRESIDING OFFICER. The Senator from Nebraska has the floor. Does the Senator yield to the Senator from Minnesota?

Mr. WHERRY. I shall be glad to do so in a moment. The point I want to make is that these products which are now surplus are so low in price as to be below the support price, and they cannot be sold in the United States below the support price. Therefore we are selling them abroad.

Mr. AIKEN. The Senator from Nebraska is correct.

Mr. WHERRY. Some agricultural products are becoming so low in price that we cannot even sell them here, because the price of the products in question is below the support price, low as it is.

Mr. AIKEN. Yes.

Mr. WHERRY. Mr. President, I now yield to the Senator from Minnesota.

Mr. THYE. Mr. President, I wanted to ask the Senator from Vermont a question concerning the eggs, a commodity of which the Senator from Nebraska was speaking when I first asked him to yield. There were on hand 60,000,000 pounds of frozen United States No. 1 eggs, and 29,000,000 pounds of powdered eggs, which the Commodity Credit Corporation had purchased, and which, under the various foreign-relief measures, it could not send abroad. The fact is that there were on hand 29,000,000 pounds of powdered eggs and 60,000,000 pounds of frozen United States No. 1 eggs which the Commodity Credit Corporation had offered for sale last October, and for which they had not obtained a buyer. The current value of those eggs was just a little lower than what the Commodity Credit Corporation actually had invested in the eggs. Therefore this joint resolution was introduced in the attempt to have these eggs moved into the channel of European relief foods, and not have them charged up as an item of subsidy to the farmer in the support price Steagall amendment provision. The joint resolution is very timely and helpful, but I wanted to ask the Senator from Vermont whether he believes its enactment would affect the legislation contained in Senate bill 2202? Or should we attempt to amend the pending European recovery program legislation so that the question we are now discussing will not be a further question in the months and years to come?

Mr. AIKEN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Nebraska yield to the Senator from Vermont to reply?

Mr. WHERRY. I yield for that purpose.

Mr. AIKEN. I think the joint resolution is necessary now, because the citrus fruit is spoiling. I do not think there is any time to lose. If the pending European recovery-plan measure means what it says, I cannot see how it would be effective with respect to the commodities we

are discussing. There is a possibility of an ambiguous construction of the language of that bill. Its language would not be ambiguous at all if the pending joint resolution were passed.

Mr. THYE. If I may ask a further question, would the joint resolution extend even over into the provisions of Senate bill 2202? If it would do so, I would not offer an amendment; but if not, then I should like to offer an amendment to correct the situation.

Mr. WHERRY. Mr. President, I believe I have 1 minute left?

The PRESIDING OFFICER. The Senator is correct.

Mr. WHERRY. I simply want to point out to the Members of the Senate that in the case of certain agricultural products the prices have fallen so low that they cannot be sold in the United States, because the price of the products is below the support price. Therefore, we have to sell them across the water.

Mr. SALTONSTALL. Mr. President, will the Senator from Nebraska yield?

The PRESIDING OFFICER. The Senator from Nebraska has 15 seconds left.

Mr. WHERRY. I yield the 15 seconds to the Senator from Massachusetts.

Mr. SALTONSTALL. I wish to make a brief statement. It seems to me, Mr. President, that the whole question of agriculture-support prices should be examined. I believe that if the food to which reference has been made is in a marketable shape, it should be used for human food rather than be put to uses other than those of human consumption. Therefore, I believe the joint resolution should become law, but I hope the total subject will be reviewed, and reviewed carefully.

Mr. BREWSTER. Mr. President, I should like to inquire of the Senator from Vermont about the effect of the proposed legislation on the potato situation, which is, of course, of very great concern to us. I am familiar with the point which the Senator made about the caloric value of potatoes. We do not quite like the comparison with wheat, as we think potatoes are perhaps in some ways a better food. But I should like to know what the impact of the pending measure will be when it provides that this is going to be "basis free along ship or free on board vessel, United States ports." The great difficulty with potatoes has been the cost of transportation.

Mr. AIKEN. That is correct.

Mr. BREWSTER. Because unless they are dried they contain some water.

Mr. AIKEN. In the time of the Senator from Maine I will say that the legislation does not affect the obligation on the Government to support the price of potatoes at 90 percent of parity, as it has been doing. It would do away with the necessity for disposing of the potatoes at 4 cents a hundred pounds. In fact, they are worth more than that for many other purposes. If the measure passes it will permit them still to be shipped for food to the central European countries which need them, without at the same time making the expense so great that the Department of Agriculture could not afford to use them for that purpose.

Mr. BREWSTER. Does the Senator have any indication that those responsi-

ble for feeding the people of Europe would take advantage of this provision in order to use whatever surplus commodities we have?

Mr. AIKEN. I understand that those responsible would probably reach an agreement with the Department of Agriculture whereby they would go 50-50. Of course, those in charge of the program in Europe would not be obliged to take these prunes, raisins, citrus fruits, and potatoes, and if there is any money left over, I understand that they hope to purchase a little tobacco for shipment overseas. They want to keep the perishables from spoiling first, however.

Mr. BREWSTER. Would the authority of the Administrator of the European relief program, assuming we should pass the ERP bill, also be included under the provisions of the measure we are now discussing, in the matter of procurement?

Mr. AIKEN. I would expect that is intended. If that is not covered by the joint resolution it certainly would be covered by the passage of the measure dealing with the European relief program, the so-called Vandenberg bill.

Mr. REVERCOMB. Mr. President, I desire to address a question to the Senator from Vermont on the subject of potatoes, the subject which has just been raised. I am advised that more than 25,000,000 bushels of the 1946 crop of potatoes were lost entirely, and that nearly one-half million bushels of the 1947 crop were destroyed.

Mr. BREWSTER. Twenty-six million bushels were destroyed, not lost.

Mr. REVERCOMB. Then they were destroyed and purposely lost. When we speak of potato-support price, it seems to me that so far as that program has been administered by the Department of Agriculture there is oversupport when it is administered in a manner so as to create such a surplus that potatoes in this country have to be destroyed. I wish to ask the Senator from Vermont in what way the passage of the joint resolution would remedy the situation with respect to the loss of potatoes?

Mr. AIKEN. It would permit them to be used as food overseas rather than fed to stock at the rate of \$5 a carload in this country, or converted into alcohol at a very low price.

Mr. REVERCOMB. What prevented the potatoes which were lost or destroyed from being shipped abroad?

Mr. AIKEN. The law prevented it. There was a prohibition against shipping them overseas or selling them for human consumption at a cost less than the support price.

Mr. WILLIAMS. Mr. President, will the Senator yield?

Mr. REVERCOMB. I shall be glad to yield in a moment. I have only a limited time. I should prefer to have the Senator speak in his own time.

Mr. AIKEN. The support of potato prices has not cost anywhere near as much for the 1947 crop as for previous crops. Up to January 31 approximately \$6,000,000 had been spent. A year ago, of course, there was very heavy production which had to be supported.

Mr. REVERCOMB. I simply wish to make the observation that it appears from the figures that, instead of support,

we have a great oversupport. We have a waste of money, the growth of too many potatoes and the destruction of food when we are talking about the need of food. I do not see how this measure could relieve that situation if the administrators of the act under the Department of Agriculture are to continue to oversupport the price of potatoes to the extent that too many potatoes will be produced, resulting in their destruction. That is one of the most wasteful things that has occurred in the Government.

The Senator says that the joint resolution would permit the shipment of potatoes abroad.

Mr. AIKEN. That is correct; and the Government is obligated to support the price of potatoes for this year. A number of potato growers appeared before the Committee on Agriculture and Forestry and stated that the 90-percent-of-parity support constituted an incentive price, and they suggested that it be reduced. We are now working on a new agricultural bill, and I can assure the Senator from West Virginia that this subject will be given consideration. The potatoes dealt with by the joint resolution are the potatoes which are already on hand and which we own, or potatoes which we are obligated to buy.

Mr. REVERCOMB. I am certainly glad to hear that some consideration will be given to the question of limitation of support. I am not objecting to the support, but I am objecting to the administration of it, which creates a situation of oversupply and too high support.

Mr. AIKEN. In the past few years we have learned how to grow so many potatoes to the acre that the support price does constitute an incentive to overproduction.

Mr. REVERCOMB. Does the Senator from Vermont feel that the passage of the joint resolution would relieve the situation with respect to the waste of potatoes?

Mr. AIKEN. I think it would prevent potatoes from being destroyed. I am speaking of potatoes which we already have to buy under the law. I think it would relieve the situation.

Mr. REVERCOMB. I am also advised that the problem will be further taken care of by legislation which would stop the oversupport of potato prices.

Mr. AIKEN. We hope to have a bill ready before long which will provide for the production of more commodities of which we are short, and do away with the overproduction of those which are already in surplus.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. REVERCOMB. I yield.

Mr. BREWSTER. I might reassure the Senator from West Virginia by stating that under the operations of the law the potato production of the country has declined by more than 75,000,000 bushels during the past year. That is about 20 percent. So potatoes are not a conspicuous example of this evil. A year ago they were. That was when the unfortunate episode of destruction occurred. This year potatoes are being used, and are in much more limited supply.

Mr. REVERCOMB. As I understand, half a million bushels of the 1947 crop were destroyed.

Mr. AIKEN. Those were early potatoes which could not be transported.

Mr. WHERRY. Mr. President, I should like to direct a question to the distinguished minority leader [Mr. BARKLEY] in his time.

The PRESIDING OFFICER. The Chair recognizes the Senator from Kentucky.

Mr. BARKLEY. Mr. President, I am not seeking recognition.

Mr. WHERRY. Mr. President, the Senator from Minnesota [Mr. THYE] raised a very important question. I should like to have his attention. The Senator from Minnesota raised an important question while I was detained from the Chamber, a question which I think might be involved in Senate bill 2202. On page 22 of that bill, in subsection (c) of section 12, beginning in line 12, the following language appears:

(c) In procuring from sources within the United States any agricultural commodity not in short supply in the United States for transfer by grant to any participating country in accordance with the requirements of such country, the Administrator shall, insofar as practicable and where in furtherance of the purposes of this act, provide for the procurement of an amount of each class or type of any such commodity in approximate proportion to the total exportable supply of such class or type of such commodity.

That is the reason why I am addressing this question to the minority leader. For the life of me I cannot understand that provision. I understand that the Senator from Kentucky can give us an explanation. If I interpret the provision correctly, it seems to me that in the event the bill should become law, if potatoes were in surplus, it would be necessary for the Administrator to see to it that each variety of potatoes, in proportion to the whole, was shipped. That provision might affect in some way different crops of potatoes throughout the country.

Mr. BARKLEY. The Senator is now speaking of a provision in the European Recovery Act?

Mr. WHERRY. Yes.

Mr. BARKLEY. The object of that provision was to make it possible to direct the attention of the Administrator to the procurement and distribution of surplus agricultural products wherever they were found, in proportion to the exportable supply of such agricultural products, without attempting to force on any country a commodity which it does not desire and is not in the habit of using. That is why the provision is so worded as to take into consideration the requirements of the recipient country. That is the reason for the provision that the Administrator "shall, insofar as practicable and where in furtherance of the purposes of this act, provide for the procurement of an amount of each class or type of any such commodity in approximate proportion to the total exportable supply of such class or type of such commodity."

The purpose is, in furnishing aid, to work off some of our surplus commodities.

Mr. WHERRY. I agree that that was what was intended. I raise the point only because the Senator from Minnesota made the point with respect to potatoes. If I correctly understand the minority leader, when potatoes are to be

procured, the Administrator shall take out of the surplus—it must be a surplus commodity to begin with—a certain percentage of the varieties in surplus, in proportion to the total exportable supply of each variety of potatoes. If I correctly understand the provision, the same thing would be true of wheat.

Mr. BARKLEY. I do not see how the pending proposal would have any particular effect on wheat.

Mr. WHERRY. I am speaking about the recovery bill.

Mr. THYE and Mr. BREWSTER addressed the Chair.

The PRESIDING OFFICER. Does the Senator yield; and if so, to whom?

Mr. BARKLEY. I yield first to the Senator from Minnesota.

Mr. THYE. Mr. President, as I understand, the primary purpose of the joint resolution is to relieve or ease the situation so far as the Commodity Credit Corporation and its administrative restrictions are concerned. As I understand—and if I am not correct I should like to be corrected—there is a provision in the European relief bill which restricts food shipments involving commodities with a higher calorie cost than that of wheat. Naturally potatoes, eggs, and fruits all have a higher calorie cost than wheat. If we are so restricted a false demand is created upon the wheat market by creating a shortage in that cereal. On the other hand, at the same time we have more than 60,000,000 pounds of frozen eggs, and more than 29,000,000 pounds of dried eggs. We have potatoes in surplus, which are a problem. We also have the citrus problem. There is no reason for making ourselves short in the cereal crop while at the same time we have a surplus of other food crops. Why not amend the bill in such a way that potatoes, eggs, and citrus fruits may be shipped abroad in relief food shipments, rather than confining such shipments to wheat? That is the only purpose of the joint resolution. I think it is an absolutely sound measure; and I believe that the emergency relief bill, Senate bill 2202, should have some such safety provision in it.

The PRESIDING OFFICER. The Senator from Kentucky has 30 minutes remaining.

Mr. BARKLEY. I yield to the Senator from Maine.

Mr. BREWSTER. I assume, Mr. President, that the words "class or type" are a technical term which the Senator has inserted.

Mr. BARKLEY. Yes.

Mr. BREWSTER. And I also assume it would also include Maine potatoes.

Mr. BARKLEY. Yes.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

Mr. WILLIAMS. Mr. President, I am inclined to agree with the Senator from Minnesota in regard to the measure; but inasmuch as it is of so much importance, I ask that it go over until we can discuss it further.

The PRESIDING OFFICER. Objection being made, the joint resolution will be passed over.

Mr. HOLLAND subsequently said: Mr. President, if I may have the attention of

the junior Senator from Delaware [Mr. WILLIAMS], let me say I sincerely hope he will withdraw his objection to the present consideration of Senate Joint Resolution 187, because, if it is not passed, I understand it will put the Senate in the position of insisting that surplus supplies of potatoes on hand shall be converted into animal food or into alcohol, although there is a pressing need for them for human food.

So I sincerely hope the junior Senator from Delaware will recede from his opposition to present consideration and passage of the joint resolution.

I wish to associate myself clearly with the statement made by the junior Senator from Minnesota [Mr. THYE] as to the desirability of having the Senate immediately pass this joint resolution, without the enactment of which there will have to be a conversion into animal food or alcohol of potatoes and other food suitable for human consumption.

Mr. WILLIAMS. Mr. President, I do not think anyone has criticized any more than I have the policy of the Department of Agriculture about storing these potatoes. I understand there is nothing which now prohibits the Department of Agriculture from selling these potatoes in Europe if it sees fit to do so. This joint resolution merely provides that they may be disposed of at a reduced price. For instance, during the last year, a considerable number were sold in Argentina at a 50-percent reduction in price, while at the same time there were widespread protests in the United States about the cost of living in this country. I do not see why we should keep the cost of living to our citizens high and at the same time permit these potatoes to be sold to citizens of foreign countries at a 50-percent reduction in price. That does not seem to me to be a sensible thing to do, so I wish to study the matter a little further.

The PRESIDING OFFICER. Under the objection which has been made, the joint resolution has been passed over.

REORGANIZATION PLAN NO. 1—CONCURRENT RESOLUTION PASSED OVER

The PRESIDING OFFICER. The next measure on the calendar will be stated.

The concurrent resolution (H. Con. Res. 131) against adoption of Reorganization Plan No. 1 of January 19, 1948, was announced as next in order.

Mr. WHERRY. Mr. President, this measure is under the Reorganization Act, I believe.

Mr. BARKLEY. It is.

The PRESIDING OFFICER. The Senator's statement is correct.

Mr. WHERRY. This measure will have to be passed over at this time. I wish to announce that if it appears that the unfinished business, the European recovery bill, cannot be terminated one way or another by possibly Thursday or Friday of this week, the Senate will have to take action on this measure some time soon. The Members of the Senate should recall that this reorganization plan, Concurrent Resolution No. 1, must be acted on by the 19th. Some determination regarding it must be made by that time. So I feel that we should hold our-

selves in readiness to consider the concurrent resolution, if we find that the unfinished business, the European recovery bill, is not to be concluded by Thursday or Friday of this week. If we find that to be the case, one of those afternoons will have to be set aside for the consideration of this concurrent resolution.

Mr. BARKLEY. Mr. President, I certainly hope we shall dispose of the European recovery bill this week, even if we have to remain in session on Saturday. A number of Senators who now are absent have planned to return whenever they think the Senate is about to vote on the European recovery bill. Of course, it is desirable to have as large an attendance as possible when the Senate votes on the reorganization plan as well.

Mr. WHERRY. That is correct.

Mr. BARKLEY. So it occurs to me that we might arrange for a vote on this concurrent resolution relating to the Reorganization Act at such time, when a large number of Senators will be present in connection with the vote on the European recovery bill.

I realize that the reorganization plan concurrent resolution must be voted on by the 19th; but I suggest that it be passed over at this time until the Senate has either passed the European recovery bill or has exhausted every effort to have it passed promptly.

Mr. WHERRY. Today is March 8.

Mr. BARKLEY. Yes; and the concurrent resolution relating to the reorganization plan must be acted on by the 19th, which is 11 days from now.

Mr. WHERRY. Mr. President, I shall attempt to cooperate in every possible way with the Senator from Kentucky in regard to this matter. I have made the announcement so that the Senate may be in readiness.

Mr. BARKLEY. Of course, I have no desire to postpone action on the concurrent resolution relative to the reorganization plan, or to take any advantage of the situation in regard to the present unfinished business, the European recovery bill.

Mr. WHERRY. Certainly.

Mr. BARKLEY. Moreover, we realize that the reorganization plan concurrent resolution is a privileged matter which may be taken up at any time.

Mr. WHERRY. That is correct.

The PRESIDING OFFICER. Objection being made, the concurrent resolution is passed over.

SUPERIOR NATIONAL FOREST, MINN.

The PRESIDING OFFICER. The next measure on the calendar will be stated.

The Senate proceeded to consider the bill (S. 1090) to safeguard and consolidate certain areas of exceptional public value within the Superior National Forest, State of Minnesota, and for other purposes, which had been reported from the Committee on Agriculture and Forestry, with an amendment, on page 8, in line 3, after the word "paid", to strike out "annually by the Secretary of the Treasury to the State of Minnesota such sums as shall be certified to him by the

Secretary of Agriculture as equaling, as of the first day of the preceding fiscal year, the number of acres of national-forest land situated within the areas described in section 2 of this act multiplied by 12 cents per acre; and such sums" and insert "at the end of each fiscal year by the Secretary of the Treasury to the State of Minnesota the amount, if any, by which the payment made under the above-cited acts for such year is less than the sum certified to him by the Secretary of Agriculture as equaling, as of the first day of such year, the number of acres of national-forest land situated within the areas described in section 2 of this act multiplied by 7½ cents per acre; and such amount", so as to make the bill read:

Be it enacted, etc., That to protect and administer more effectively the publicly owned lands within certain parts of the area described in section 1 of the act approved July 10, 1930 (46 Stat. 1020), and to accomplish certain public purposes explicit and implicit in sections 2 and 3 of said act, the Secretary of Agriculture is authorized and directed to acquire any lands or interest in lands, and appurtenances thereto, situated within the area described in section 2 of this act, where in his opinion development or exploitation, or the potentialities for development or exploitation, impair or threaten to impair the unique qualities and natural features of the remaining wilderness canoe country: *Provided, however,* That under the authority of this act no contiguous tract of land in one ownership, not exceeding 500 acres in the aggregate, shall be condemned if at the time of the approval of this act it is encumbered with a structure or structures of a permanent type suitable for human occupancy and if the owner thereof files written objections before expiration of the time for answering the petition in the proceedings.

SEC. 2. That the authority granted in section 1 of this act shall be supplemental to the authority granted by existing acts relating to the acquisition of lands for national-forest purposes and shall not be deemed as repealing any portions of those acts; and said supplemental authority granted by section 1 of this act, but not the authority granted by existing acts, shall be confined to the following-described areas in Cook, Lake, and St. Louis Counties, State of Minnesota:

Township 63 north, range 2 west, fourth principal meridian, sections 5 to 8, inclusive.

Township 63 north, range 3 west, fourth principal meridian, sections 1 to 12, inclusive.

Township 63 north, ranges 4, 5, 6, 7 and 8 west, fourth principal meridian, entire townships.

Township 63 north, range 9 west, fourth principal meridian, south half section 19 and sections 20 to 36, inclusive.

Township 63 north, range 13 west, fourth principal meridian, section 6.

Township 63 north, range 14 west, fourth principal meridian, sections 1 to 12, inclusive, and 14 to 22, inclusive.

Township 63 north, range 15 west, fourth principal meridian, sections 1 to 3, inclusive.

Township 63 north, range 16 west, fourth principal meridian, sections 1 to 3, inclusive, 10 to 15, inclusive, and 22 to 24, inclusive.

Township 64 north, range 3 east, fourth principal meridian, south half section 7.

Township 64 north, range 2 east, fourth principal meridian, sections 1 to 12, inclusive.

Township 64 north, range 1 east, fourth principal meridian, sections 1 to 4, inclusive, south half section 7, sections 8 to 12, inclusive, 15 to 17, inclusive, and east half section 18.

Township 64 north, range 1 west, fourth principal meridian, sections 17 to 20, inclusive, and 29 to 32, inclusive.

Township 64 north, range 2 west, fourth principal meridian, sections 7 to 11, inclusive, and 13 to 36, inclusive.

Township 64 north, range 3 west, fourth principal meridian, sections 7 to 36, inclusive.

Township 64 north, range 4 west, fourth principal meridian, sections 6, 7, and 10 to 36, inclusive.

Township 64 north, ranges 5, 6, 7, and 8 west, fourth principal meridian, entire townships.

Township 64 north, range 9 west, fourth principal meridian, sections 1 to 24, inclusive.

Township 64 north, range 10 west, fourth principal meridian, sections 1 to 18, inclusive.

Township 64 north, range 11 west, fourth principal meridian, sections 1 to 4, inclusive, and 9 to 16, inclusive.

Township 64 north, range 13 west, fourth principal meridian, sections 5 to 8, inclusive, 15 to 22, inclusive, and 28 to 32, inclusive.

Township 64 north, range 14 west, fourth principal meridian, sections 6 to 36, inclusive.

Township 64 north, range 15 west, fourth principal meridian, sections 1 to 3, inclusive, and 10 to 36, inclusive.

Township 64 north, range 16 west, fourth principal meridian, sections 22 to 27, inclusive, and 34 to 36, inclusive.

Township 65 north, range 2 east, fourth principal meridian, entire township.

Township 65 north, range 1 east, fourth principal meridian, sections 19 to 30, inclusive, and 33 to 36, inclusive.

Township 65 north, range 1 west, fourth principal meridian, sections 19 to 30, inclusive.

Township 65 north, range 4 west, fourth principal meridian, sections 1 to 3, inclusive, 10 to 14, inclusive, and 31.

Township 65 north, range 5 west, fourth principal meridian, sections 6, 7, and 18 to 36, inclusive.

Township 65 north, ranges 6, 7, 8, 9, 10, and 11 west, fourth principal meridian, entire townships.

Township 65 north, range 12 west, fourth principal meridian, sections 1 to 17, inclusive, 20 to 27, inclusive, and 34 to 36, inclusive.

Township 65 north, range 13 west, fourth principal meridian, sections 1 to 3, inclusive, and 10 to 12, inclusive.

Township 65 north, range 14 west, fourth principal meridian, sections 18, 19, 30, and 31.

Township 65 north, range 15 west, fourth principal meridian, sections 13, 14, 23 to 26, inclusive, 35 and 36.

Township 66 north, range 4 west, fourth principal meridian, sections 3, 9, 16, 21, 22, 26 to 28, inclusive, and 33 to 36, inclusive.

Township 66 north, range 5 west, fourth principal meridian, sections 2, 8, 9, 16 to 20, inclusive, 30 and 31.

Township 66 north, range 6 west, fourth principal meridian, entire township.

Township 66 north, ranges 11, 12, and 13 west, fourth principal meridian, entire townships.

Township 66 north, range 14 west, fourth principal meridian, sections 1 to 28, inclusive, and 33 to 36, inclusive.

Township 66 north, range 15 west, fourth principal meridian, sections 1 to 17, inclusive, and 20 to 24, inclusive.

Township 66 north, range 16 west, fourth principal meridian, sections 1 to 5, inclusive, and 9 to 12, inclusive.

Township 67 north, ranges 13, 14, and 15 west, fourth principal meridian, entire townships.

Township 67 north, range 16 west, fourth principal meridian, sections 6 to 8, inclusive, 16 to 18, inclusive, 20, 21, 28, 29, and 32 to 34, inclusive.

Township 67 north, range 17 west, fourth principal meridian, those portions of sections 1, 12, and 13 east of Crane Lake.

Township 68 north, ranges 13, 14, 15, and 16 west, fourth principal meridian, entire townships.

Township 68 north, range 17 west, fourth principal meridian, that portion of section 36 east of Crane Lake.

SEC. 3. That lands shall be acquired by purchase or condemnation under the supplemental authority granted in section 1 of this act only with prior approval of the National Forest Reservation Commission created by section 4 of the act approved March 1, 1911 (36 Stat. 961), as amended, and lands so acquired shall become parts of the Superior National Forest and be subject to the provisions of said Act (36 Stat. 961), as amended, and of such other laws as apply to land acquired under the provisions of said act (36 Stat. 961), as amended, except as hereinafter provided.

SEC. 4. That upon finding and determination by the Secretary of Agriculture that the public purposes and objectives explicit and implicit in the act approved July 10, 1930 (46 Stat. 1020), more effectively can be accomplished by exchanging lands of the United States situated within the boundaries described in said act for other lands in State, county, or private ownership situated within the said boundaries which are more suitable for public ownership, management, and use, for the purposes contemplated by said act, such lands of the United States shall be subject to exchange under the provisions of the act of March 20, 1922 (42 Stat. 465), as amended, or the provisions of the act of March 3, 1925 (43 Stat. 1215).

SEC. 5. That in addition to the payment to the State of Minnesota under the provisions of the act of May 23, 1908 (35 Stat. 260), and of section 13 of the act of March 1, 1911, as amended (36 Stat. 961; 38 Stat. 441), there shall be paid at the end of each fiscal year by the Secretary of the Treasury to the State of Minnesota the amount, if any, by which the payment made under the above-cited acts for such year is less than the sum certified to him by the Secretary of Agriculture as equaling, as of the first day of such year, the number of acres of national-forest land situated within the areas described in section 2 of this act multiplied by 7½ cents per acre; and such amount shall be expended for the benefit of the counties in which said national-forest lands are situated in the manner prescribed by State law for the expenditure of payments made under the acts cited above or in such other manner as the State legislature may hereafter prescribe: *Provided, however,* That the first payment to the State of Minnesota under the provisions of this section shall not be due until the close of the first full fiscal year after approval of this act.

SEC. 6. That there are hereby authorized to be appropriated annually such sums as are necessary to carry out the provisions of this act: *Provided, however,* That the total appropriations under the authority of this act shall not exceed \$500,000 for the purchase and condemnation of land.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

TOWN SITE OF WADSWORTH, NEV.

The bill (S. 1871) to restore certain lands to the town site of Wadsworth, Nev., was considered, ordered to be en-

grossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That those portions of the town site of Wadsworth, Washoe County, Nev., which were added to the Pyramid Lake Indian Reservation by order of the Acting Secretary of the Interior, dated January 12, 1939, are hereby restored to and made a part of such town site. All proceeds from the disposition of lots within the lands restored to the town site of Wadsworth by this act, which shall be sold at a price of \$25 per lot, shall be deposited in the Treasury of the United States to the credit of the Pyramid Lake Paiute Tribe of Indians of the Pyramid Lake Indian Reservation, Nev.

The PRESIDING OFFICER. That completes the call of the calendar.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1393) to increase the permitted rate of allowance and compensation for training on the job under Veterans Regulation No. 1 (a), as amended.

The PRESIDING OFFICER. The calendar having been completed, the Senate now reverts to the consideration of the unfinished business.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

The PRESIDING OFFICER. The bill is open to amendment.

Mr. KNOWLAND. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 22, after line 20, it is proposed to insert a new subsection, as follows:

(d) No export shall be authorized pursuant to authority conferred by section 6 of the act of July 2, 1940 (54 Stat. 714), including any amendment thereto, of any commodity from the United States to any country wholly or partly in Europe which is not a participating country, if the Secretary of Commerce determines that the supply of such commodity is insufficient (or would be insufficient if such export were permitted) to fulfill the requirements of participating countries under this act as determined by the Administrator: *Provided, however,* That such export may be authorized if the Secretary of Commerce determines that such export is otherwise in the national interest of the United States.

Mr. KNOWLAND. Mr. President, this is the perfected language of the amendment I offered on March 2, perfected after consultation with the chairman of the Foreign Relations Committee, who, in turn, discussed the matter with the Department of State. I think there are ample safeguards in it now to protect

the United States on a matter of policy where it would be in our national interest to make such exports. But at the same time I think it will clearly indicate the congressional intent that at least we should be getting a full quid pro quo for the exports that go out of this country into Russia or the satellite powers. As I pointed out the other day when I placed in the RECORD the list of exports to the U. S. S. R. and the list of imports from that country, it is true that we are getting certain basic materials from Russia, namely, chrome and manganese. But I call the attention of the Senate to the fact that while the value of metal imports from Russia to the United States in 1947 amounted to less than \$20,000,000, we were, in turn, exporting to them last year more than \$149,000,000 worth of materials—a large part of which consisted of industrial equipment—this added to her economic abilities and her war potentials. I think that this may at least serve notice on the administrative officials that we should be getting a full quid pro quo and should stop building up the one nation trying to obstruct the Marshall plan.

Mr. VANDENBERG. Mr. President, in the present form submitted by the able Senator from California, I believe there is no objection to the amendment. Personally, I should be very glad to have it agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment submitted by the Senator from California.

The amendment was agreed to.

Mr. KNOWLAND. Mr. President, I send to the desk an amendment and ask that the clerk read it.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. At the end of section 11 (a) (2), it is proposed to insert:

The Administrator shall, in providing for the procurement of commodities under authority of this act, take such steps as may be necessary to assure, so far as is practicable, that at least 50 percent of the gross tonnage of commodities, procured within the United States out of funds made available under this act and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates.

Mr. KNOWLAND. Mr. President, I offer the amendment and again perfected it after consultation with the chairman of the Foreign Relations Committee. The chairman I understand has had the matter up with the Department of State. It seems to me that the maritime industry and maritime labor should not be called upon to submit to an undue disadvantage under the Marshall plan. Certainly we are not importing low-paid foreign labor and putting the workers at work producing in American plants in order to give a reduction in the price of the commodity. Those in the maritime industry, and particularly labor in the maritime industry, do not feel that they should be unnecessarily or unjustifiably discriminated against in the program. The amendment provides that insofar as practicable at least 50 per-

cent of the cargoes procured in the United States shall be shipped in American vessels, providing such vessels are available at market rates. I think there are ample safeguards in it to prevent the Government or the participating countries from having to pay an excessive rate on the shipments. But I want to call attention to the fact that while at the present time, according to the information furnished by the State Department, more than 50 percent of the cargoes are being carried by United States bottoms, though the percentage varies from month to month, that is true only so long as the bulk movements of coal and grain continue. When they drop off, as the European program succeeds, the percentage is very likely to drop to about 33 percent, which was a peak reached during the prewar period, over the 10 percent carried in 1914. I believe it is a constructive amendment and one that furnishes ample safeguards.

Mr. VANDENBERG. In the form finally submitted by the able Senator from California, which has the approval of all the authorities I have consulted on the subject, I think the amendment is entirely satisfactory. I hope it may be agreed to.

Mr. BREWSTER. Mr. President, I may say that I had an amendment very similar in character which I proposed, and which was pending, dealing with 50 percent of the commodities being procured within the United States. Under the change in the form of the amendment presented by the Senator from California, I understand he has now reduced it so it applies only to commodities procured within the United States. In that form it seems to me entirely agreeable, so that I withdraw the amendment now on the table, which I had proposed.

The PRESIDING OFFICER. The question is on agreeing to the amendment submitted by the Senator from California [Mr. KNOWLAND].

The amendment was agreed to.

Mr. WHERRY. Mr. President, I should like to add for the RECORD that inasmuch as my name was also on the amendment of the Senator from Maine, because of the showing made in the Small Business Committee relative to the need I am in total agreement with the amendment that is now submitted by the Senator from California, which is in reality the same as the one that was submitted by the distinguished Senator from Maine and myself.

Mr. BALL. My President, I send to the desk an amendment.

The PRESIDING OFFICER. The clerk will state the amendment.

The LEGISLATIVE CLERK. On page 29, line 2, it is proposed to strike out the words "valid rate of exchange" and insert in lieu thereof the following: "rate of exchange which will reflect with reasonable accuracy the relative purchasing power of such currency."

Mr. BALL. Mr. President, I rather expect this amendment to be controversial. Before I proceed to discuss it, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gurney	Moore
Ball	Hatch	Morse
Barkley	Hayden	Myers
Brewster	Hickenlooper	O'Connor
Bricker	Hill	O'Daniel
Bridges	Hoey	O'Mahoney
Brooks	Holland	Overton
Buck	Ives	Pepper
Butler	Jenner	Reed
Byrd	Johnson, Colo.	Revercomb
Cain	Johnston, S. C.	Robertson, Va.
Capehart	Kern	Robertson, Wyo.
Capper	Kilgore	Russell
Chavez	Knowland	Saltonstall
Connally	Langer	Smith
Cooper	Lodge	Sparkman
Cordon	Lucas	Stennis
Donnell	McCarran	Taylor
Downey	McCarthy	Thomas, Okla.
Dworshak	McClellan	Thomas, Utah
Eastland	McFarland	Thye
Eaton	McGrath	Vandenberg
Ellender	McKellar	Watkins
Ferguson	McMahon	Wherry
Flanders	Malone	Wiley
Fulbright	Martin	Williams
George	Maybank	Wilson
Green	Millikin	

The PRESIDING OFFICER. Eighty-three Senators having responded to their names, a quorum is present.

The question is on agreeing to the amendment offered by the Senator from Minnesota [Mr. BALL].

Mr. BALL. Mr. President, the amendment which I have offered, and which has been read, is the one submitted by me and the Senator from Nebraska [Mr. WHERRY] and lettered "B" with one change in line 4, in place of the word "actual," to insert the word "relative."

Mr. President, This is an amendment to section 15 of the pending bill, which deals with the bilateral and multilateral agreements to be negotiated by the Secretary of State, and to be the basic contracts, I understand, under which the whole program will operate.

Subdivision (b) of section 15 directs the Secretary of State to negotiate these agreements, and provides, reading from page 28:

Such agreement shall provide for the adherence of such country to the purposes of this act and shall, where applicable, make appropriate provision, among others, for—

(2) taking financial and monetary measures necessary to stabilize its currency, establish or maintain a valid rate of exchange, to balance its governmental budget as soon as practicable, and generally to restore or maintain confidence in its monetary system.

The amendment I have offered would strike out the words "a valid rate of exchange" at the top of page 29, and substitute the words "rate of exchange which will reflect with reasonable accuracy the actual purchasing power of such currency."

Mr. President, I think the purpose of the amendment is apparent. It merely seeks to correct the situation which every businessman with whom I have talked about the program says is one of the serious deterrents to speedy recovery in Europe, namely, the existence of legal, and valid I might say, rates of exchange which do not reflect accurately the relative purchasing power of the currencies involved.

France, for example, up until its recent action, had the franc pegged, as I recall, at 120 to the dollar, whereas in

the free or black market, and in the free market maintained in Switzerland, the rate was about 300 to the dollar. Obviously in that kind of situation an American importer seeking to buy French goods had to pay more than twice as many dollars for the francs as the free market in foreign exchange indicated the francs were actually worth in terms of purchasing power. Therefore, when he finally got the French goods to America, he had to charge more than twice as much in dollars as he would if the foreign exchange rate had reflected the actual relative purchasing power of the two currencies.

Mind you, Mr. President, all the 16 countries in the CEEC program are suffering, we are told, from a shortage of dollars. The effect of these rates of exchange which are in excess of relative purchasing power is to price out of America many of their products, which otherwise might be exported to this country and provide dollar exchange.

As nearly as I could figure out, the only French goods that were coming into America in any quantity prior to the recent devaluation of the franc, were luxury goods, with respect to which price was a minor consideration.

I was informed this morning that the British pound is currently quoted on the Swiss foreign exchange, which is a free market for foreign exchange, at \$2.50, whereas its legal rate in Britain and the price which any American importer must pay for a pound is \$4.03, or thereabouts. I question whether the actual relative value of the British pound is that low, but it is considerably lower than the current exchange, which in turn tends to price British imports into the Americas right out of the market at the very time when, we are told, these countries must expand their exports in order to build up the dollar exchange necessary to pay for their essential imports.

I think the same situation is true with respect to several other countries.

Mr. CONNALLY. Which amendment is the Senator discussing?

Mr. BALL. The one lettered "B" dealing with the rate of foreign exchange.

Mr. President, I took the trouble to look up the meaning of the word "valid" in legislation and, according to Webster's Dictionary, and to the lawyers I consulted, in law all the word "valid" means is "legal, sound, and sufficient." All the present rates of foreign exchange are valid, according to that definition. So it seems to me the language in the bill as it now stands does not direct the Administrator or the Secretary of State to do anything at all to correct this foreign exchange situation which businessmen have been unanimous in telling me is one of the major difficulties in the way of building up the exports of the countries affected so that they may become self-sufficient and pay for their necessary imports.

It seems to me that what we are seeking is to have these countries as rapidly as possible adopt rates of foreign exchange "which will reflect," as the amendment provides, "with reasonable accuracy the relative purchasing power of such currency."

Mr. President, I realize that it may be impossible for other reasons for these countries to move immediately the full way in that direction, but I call attention to the language on page 28, at the beginning of all the specific provisions which the Congress directs the Secretary of State to try to obtain in these bilateral and multilateral agreements:

Such agreement shall provide for the adherence of such country to the purposes of this act and shall—

And this is the important language—where applicable, make appropriate provision among others, for—

And so forth. It seems to me that that language "where applicable" and "make appropriate provision" provides the Secretary of State and the Administrator with extreme wide discretion in implementing the directives of Congress in the succeeding subsections. So, I think we are fully justified in spelling out much more clearly what we mean in terms of foreign exchange rates than does the present language in the bill, which merely says that these agreements shall, where applicable, make appropriate provision for a legal rate of exchange.

Mr. President, I submit that that provision as it stands is completely meaningless, and might just as well have been left out of the bill. I hope the amendment will be adopted.

Mr. VANDENBERG. Mr. President, the difficulty which the able Senator from Minnesota confronts is the difficulty in spelling out a definition of the appropriate basis for international exchange. I know of no subject which is more completely controversial than that. Definitions as to what constitutes appropriate international exchange differ with varying philosophies and schools of thought. For instance, I am told that the definition submitted by my able friend from Minnesota is essentially the philosophy of the so-called exchange school of thought in respect to what the definition of exchange ought to be, namely, that exchange should reflect the internal purchasing power of currency, instead of requiring as a basic obligation that countries should maintain their currencies in such a fashion as to stabilize the international rate—the exact reverse of the rule submitted by the able Senator from Minnesota.

The text of the Senator's own amendment proves the precise point I am making, namely, that the Senate dare not undertake to put down in words what an accurate rule for international exchange in this world of flux is. When he wrote his amendment he proposed to say that the rate of exchange shall "reflect with reasonable accuracy the actual purchasing power of such currency." He does not want it that way this afternoon. He has changed it to read "rate of exchange which will reflect with reasonable accuracy the relative purchasing power of such currency." Perhaps upon reflection and further study we might want to change the rule again by tomorrow. I am very sure that it is a very dangerous thing for us to attempt to put down in black and white a rule of international exchange which we are going to

propose to have enforced as the result of this legislation.

For instance, let us undertake to apply the definition submitted by the able Senator from Minnesota, "will reflect with reasonable accuracy the relative purchasing power of such currency." Well, if you are in France, is that the relative purchasing power relative to the American dollar or is it relative to the British pound? Precisely what does the phrase mean? There is no way, I respectfully submit, to safely undertake to put into words what a valid rate of exchange is.

The able Senator from Minnesota says that the word "valid" simply means "legal." I differ with him about that, and if he will consult the only dictionary that is available to the Senate at the moment, he will find that the word "valid" means—

Supported or defended by evidence which is sound and convincing; * * * capable of being proved; sound; just; good; * * * possessing not only formal correctness, but real cogency, so that the conclusion is as true as each of the premises.

We considered this problem in the committee. The bill as it first came to us, as I recall, contained the word "proper" at this point. The committee felt that the word "proper" did not carry quite enough—

Mr. CONNALLY. Validity.

Mr. VANDENBERG. Yes; validity; that it did not indicate the basic values of the validity which ought to be undertaken in establishing a rule of exchange. After a discussion of many words, the best word which the committee could find was the word "valid," as carrying the general directive as to what is being sought and what is being undertaken.

I respectfully submit, Mr. President, that the Senate should not undertake to write a rule in respect to the appropriate rate of exchange which is to be required under the terms of the proposed act. It must be left to the judgment, and particularly to the judgment of those who are expert in the business of dealing with exchange, which I certainly am not. I strongly doubt whether any Member of the Senate is. So I am forced to ask for a rejection of the amendment.

Mr. BALL. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. BALL. First, let me say that I changed the word "actual" to "relative" not because I thought it changed the meaning of the amendment as I intended it, but it seemed to me a better word, in that we are dealing with two currencies. As between the franc and the dollar, and between the franc and the British pound, what we are seeking is a rate of exchange which will reflect the relative purchasing powers of the two currencies involved. That was the only reason for the change. "Actual" did not seem to relate to two currencies as well as the word "relative." But let me ask the Senator, first, if he thinks this is spelling things out too specifically, in view of the language which I quoted from lines 12 and 13 on page 28 of the bill, which modifies all these subsections, and which seems to me to give the Secretary of State the broadest kind of discretion possible in negotiating these

agreements. The language to which I refer provides that—

Such agreement shall provide for the adherence of such country to the purposes of this act and shall, where applicable, make appropriate provision—

And so forth. I believe that the word "appropriate" in any law has always been a word denoting quite a bit of discretion.

Mr. VANDENBERG. I completely agree with the Senator that the back door and the side door are open at this point, and that a definition inserted in the language of the bill at this point would find itself with considerable elastic in it.

But that is not the point which I submit to my able friend and to the Senate. I submit that there are different methods of approach to the problem of measuring appropriate exchange rates. The Senator is asking us to choose one of several different methods of appropriately measuring exchange rates. The other day, after I had talked with the Senator, I tried to find a rule. I wanted to see what the consensus of opinion seemed to be on the subject. The rule to which I found the most adherence is the rule that the rate of exchange shall most effectively contribute to equilibrium in the balance of payments. That is a totally different approach. I asked some others, and got some other definitions.

What I am saying to the Senator is that I think we find ourselves at this point in a highly technical field of definition. I do not believe that the Senator should ask the Senate to select one of several methods of approach to the definition of "appropriate international exchange." I repeat that between the time when the Senator from Minnesota had his amendment printed and the time when he offered it on the floor, he himself found it desirable, for perfectly sound reasons, to change the wording of his own proposal.

I do not think this is a question which will determine the destiny of the world one way or the other; but summing the matter up, it seems to me that the Senate should be satisfied to require a valid rate of exchange to be established, without undertaking to prescribe the rule and method by which it shall be done. The word "valid" has a very definite connotation.

Mr. BALL. Mr. President, will the Senator further yield?

Mr. VANDENBERG. I yield.

Mr. BALL. The Senator read the entire definition of the word "valid" in Webster's International Dictionary. I agree that that definition is much broader than the definition under the heading "Law." It seems to me that in law the word "valid" has a much more restricted meaning than all the connotations which the Senator has sought to give it on the floor. As I understand, in law it means legally sound and legally sufficient. That is a much narrower and more restricted definition than that which the Senator read.

Like the Senator from Michigan, I am a former newspaperman. In a story or article the word "valid" means something very different, in my opinion, from what it means in a statute the meaning

of which has been passed upon by the courts many times. As I understand, in law the meaning is quite narrowly restricted. It does not mean all the things the Senator suggested, such as "susceptible of valid and sufficient proof that it is adequate," and that sort of thing. I agree that that is a much wider definition.

Mr. VANDENBERG. Mr. President, I think that is all I can say on the subject. I do not believe that the Senate, in the absence of any dependable, concentrated opinion regarding an appropriate definition of exchange, should be asked to accept one definition as against several others which could be offered by way of alternative approach.

I believe that the entire spirit of the section of the bill to which the amendment attaches is perfectly clear:

Taking financial and monetary measures necessary to stabilize its currency, establish or maintain a valid rate of exchange, to balance its governmental budget as soon as practicable, and generally to restore or maintain confidence in its monetary system.

That is the sum total of a formula requiring intelligent and dependable stability and solvency. I think it would be most unfortunate if we were to undertake to spell out and embrace for ourselves one of several controversial definitions of what stable international exchange is.

Mr. BALL. Mr. President, the Senator from Michigan has made his usual convincing presentation. He has presented, as one of the alternative definitions of an acceptable rate of foreign exchange, one which will contribute most to the stability of the international balance of payments. I am somewhat in the dark as to just what that means.

Mr. VANDENBERG. I did not offer that definition. I feel the same way about it as I feel about the Senator's amendment. I do not know what it means. I do not know what the Senator's amendment would mean, if finally it should begin to operate. I do not want to be compelled to choose between half a dozen different formulas.

Mr. BALL. Mr. President, it seems to me that before the Western World embarked upon experiments in managed economy and managed currency, world trade was on a pretty stable basis. The free market pretty much fixed the rate of foreign exchange as between any two currencies. That free market was the best judgment of those who were making purchases, as to the relative purchasing power of the currencies involved. When that particular theory of international trade and commerce prevailed, I think we had one of the most prosperous and progressive periods in the world's history.

Personally, I think the language which we have quoted at the beginning of this section leaves the administration plenty of leeway to adjust the directive of Congress to special situations which may occur in any individual country. But I, for one, in spite of the force of the argument of the Senator from Michigan, am perfectly willing to go on record as urging that, insofar as practicable, or where applicable, these agreements should make provision for a rate of exchange

which will reflect with reasonable accuracy the relative purchasing power of the currencies involved. From my admittedly not expert or vast grasp of what goes on in trade and commerce, it seems to me that until that situation is achieved the beneficiary countries will be laboring under a terrific handicap in building up the exports which are so essential to balance their vital imports.

Mr. President, I ask for the yeas and nays on the amendment.

The yeas and nays were ordered.

Mr. KEM. Mr. President, I should like to ask a question of the Senator from Michigan. I have listened carefully to the colloquy between the Senator from Michigan and the Senator from Minnesota. I am afraid I do not understand what a valid rate of exchange would be.

I should like to ask the Senator from Michigan whether that means these contracts would specifically fix the rate as to each of the beneficiary countries. I refer, of course, to the rates of exchange between their currencies and our dollar.

For example, would it fix the rate in France at 100 francs to the dollar, and the rate in Italy at 200 lira to the dollar, and so forth?

Mr. VANDENBERG. I do not think so. I should think they would merely consider and take the financial and monetary measures required to accomplish the desired result, namely, a stabilized currency and a valid rate of exchange, balanced budgets, and so forth.

Mr. KEM. Do I correctly understand that the obligation would be to maintain a valid rate of exchange?

Mr. VANDENBERG. That is correct.

Mr. KEM. How would we tell whether they were maintaining a valid rate and how would we tell what a valid rate was? For instance, in the case of France, would it be 100 francs to the dollar or 50 francs to the dollar?

Mr. VANDENBERG. I would not have the slightest idea in the world, I say to the Senator. That is a decision which would involve the facts of the situation and the application of judgments which are expert in respect to such problems. I do not pretend to have the remotest expert information on the subject.

Mr. KEM. Under this language, would the administrator be permitted to adopt one rule in the case of one country and another rule in the case of another country?

Mr. VANDENBERG. I suppose he would be permitted to do so; but I assume he would proceed under a general formula reflecting the policy of the administrator and his advisory board.

Mr. KEM. I should like to ask the Senator from Michigan whether the use of the word "valid" in this case is not so indefinite and so lacking in specificity that it might be considered to be one of the words which Talleyrand referred to as a word to conceal thought?

Mr. VANDENBERG. The Senator from Michigan does not think so, but obviously the Senator from Missouri does think so.

The word which came to us originally in this connection was "proper." But the committee considered that the word "valid" had connotations far stronger than the word "proper" did.

Mr. KEM. Before we enact this measure into law, should not we know with some definiteness the rule we are laying down? If it is a rule of reason, should not there be some standard to guide the Administrator in connection with such a grave responsibility?

Mr. VANDENBERG. The Senator from Michigan does not think so. The Senator from Michigan feels that this is one of those situations in which all the Congress can do is assert a general objective through general directives, and that if we were to undertake to spell out every obligation that is involved in the legislation, the net result would be pretty much of a hodgepodge.

Mr. KEM. I am not suggesting that it be spelled out. I am simply suggesting the advisability of a standard to guide the conduct of the Administrator.

I should like to ask the Senator another question if he does not mind.

Mr. VANDENBERG. I shall try to answer the Senator's question.

Mr. KEM. In view of the difficulty, not to say the impossibility, that we ourselves are encountering in respect to stabilizing our own currency, does the Senator from Michigan believe it is practicable for us to undertake to place our friends abroad under contract to stabilize theirs?

Mr. VANDENBERG. The purpose of the entire measure is an objective. The objective is sound. Its approach involves no guarantees of success. An honest effort must be made. The hope is that within a reasonable time, definite identifiable progress will have been made toward the general objective. That is the only answer I can give the Senator. Certainly I am not suggesting that this bill says that on October 16 at the hour of 3 o'clock in the afternoon the objective must be met. I am saying that the objective is set up, and in doing so, we describe the fundamentals which are essential to the restabilization of the economy of these nations and their international relationships. The extent to which they shall ultimately demonstrate that they have succeeded will be a matter of judgment and reason.

Mr. KEM. I should like to ask the Senator from Michigan another question.

Mr. VANDENBERG. Yes, indeed.

Mr. KEM. I hope I do not try the Senator's patience.

Mr. VANDENBERG. Oh, no.

Mr. KEM. In view of the very laudable objectives of the bill, of course the Senate and the House of Representatives want to go as far as they possibly can go toward their attainment. I should like to ask the Senator whether he believes that the laudable character of the objectives should lead us to abandon the cardinal rule of legislation, namely, that every act should be reasonably definite and specific in its terms.

Mr. VANDENBERG. The Senator from Michigan wishes to abandon nothing by way of legitimate legislative protections; but in the present instance he is completely of the opinion that the language of the bill goes as far as it is rationally possible to go in an area of high controversy.

Mr. BARKLEY. Mr. President, will the Senator yield to me?

The PRESIDING OFFICER (Mr. MAYBANK in the chair). Does the Senator from Missouri yield to the Senator from Kentucky?

Mr. KEM. I yield.

Mr. BARKLEY. In the first place, the Administrator has no power, under this proposed act or under any other act, to stabilize the currency of any country. All we are seeking to do is to obligate the countries themselves to stabilize their own currencies and to fix rates of exchange between their currency and other currencies that will be valid and acceptable and will fairly represent the monetary situation in all those countries.

If we undertake to lay down a hard-and-fast rule by which the Administrator would be instructed to insist upon any particular rate of exchange, not only would we put him in a strait-jacket, but, through him, we would put the countries involved in a strait-jacket.

For instance, let us consider the French currency. Until a few weeks ago, the official rate of exchange was, I believe, 119 francs to the dollar, but on the black market the rate was approximately 300 francs to the dollar. The French Government, exercising its power to stabilize its own currency, fixed the value thereof—just as we do, under the Constitution, with respect to our own currency—and changed that rate to 214 francs to the dollar, and also provided a free market in which the exchange rate is approximately 275 francs to the dollar. They were exercising their own power and their own right to do that. It was not very acceptable to one or two other countries, but they had the right to do it.

All we are seeking to do in the bilateral agreement, as I understand, is to give the Administrator authority to require that the recipient country shall go as far as possible and practical to fix an exchange rate and to stabilize its currency so that in the markets of the world as well as internally it shall have recognition as an acceptable rate of exchange between that country and not only our country but other countries. The relative purchasing power might translate itself into the relationship between the dollar and the franc, or the dollar and the pound, or the dollar, and the lira, or the pound and the lira, or the franc and the lira.

Mr. VANDENBERG. Or between the black market and the free market.

Mr. BARKLEY. Yes, absolutely. So it is impossible to deteriorate the currency in any one country during the entire life of this agreement.

Mr. KEM. Mr. President, will the Senator yield for an inquiry at that point?

Mr. VANDENBERG. I yield.

Mr. KEM. I should like to ask the Senator from Kentucky or the Senator from Michigan this question: In the opinion of the Senator, is the language sufficiently definite and specific so that in case of a variation from norm the contracting country could be convicted of a breach of contract? Taking the example mentioned, that of the French franc, would it be possible under the

pending measure for the Administrator or for the Congress or for the public generally to say that a rate of 150 was an invalid rate, and that a rate of 250 was a valid rate, or vice versa? Or would it be possible to hold that any specific rate was valid or invalid, as the case might be?

Mr. VANDENBERG. If the Senator is asking the Senator from Michigan, his answer would be that in such a situation, under the specifications of the act, the facts would constitute factors to be considered by the Administrator in determining his judgment as to whether the beneficiary country in good faith was living up to its undertakings. I do not think it is possible to come any closer to a categorical reply than that.

Mr. CAIN. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield to the Senator from Washington.

Mr. CAIN. I should like to ask a question, if I may, of the Senator from Minnesota. I wish to determine if my understanding of the Senator's position is correct. I take it that the Senator is pointing with some measure of alarm and concern to the fact that in most European countries there are two rates of exchange, so-called free rate of exchange, commonly called a black market rate of exchange, and a legal rate. The Senator from Minnesota is therefore of the opinion, if my understanding is correct up to this point, that the words as used in the ERP bill will only continue and maintain those differences, whereas the Senator is desirous and hopeful that the currencies of Europe may move toward the free exchange and the legal exchange becoming one and the same. Is that correct?

Mr. BALL. The Senator has stated it correctly. I think the definition of the word "valid" given by the Senator from Michigan, which will be a part of the legislative history of this measure, has probably broadened it out somewhat beyond merely meaning legally sufficient, which is the definition of it as a term of law given in Webster's dictionary. But I still think after all this is a directive from Congress as to what the Administrator and the Secretary of State should seek wherever applicable and wherever appropriate in the opinion of the Secretary of State, which gives him plenty of leeway or judgment as to the kind of undertakings by the respective governments which he should seek in the bilateral agreements. It is my conviction that the sooner we get reasonably close to a free market in foreign exchange fixed by free trade and commerce and the value which the various purchasers of goods and services are willing to place on a country's currency, the sooner normal world trade and commerce will stand a chance of being resumed.

Mr. CAIN. May I ask if there is any reason to believe that the use of the word "valid" as it appears on page 29 is an encouragement to the Administrator to try to secure through agreements a move in the direction of synchronizing the free and legal rates of exchange abroad? I do not understand that to be the case.

Mr. BALL. I do not so understand it myself, even under the broad definition given by the Senator from Michigan.

Mr. CAIN. The issue, then, that we are trying to resolve, and certainly we are all trying to understand it, is whether or not we in a sense want to encourage a continuance of the differences as they presently exist between free and legal exchanges, or whether we want to say in substance that whenever it is possible to have a piece of exchange reach its true free-market level, that precisely is the encouragement this country gives to the countries we seek to help through ERP.

Mr. BALL. That is my understanding.

Mr. COOPER. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield to the Senator from Kentucky.

Mr. COOPER. A moment ago I understood the Senator from Minnesota to state that it is his belief the Administrator in fixing the rate of exchange would be limited by the use of the word "valid," because in the opinion of the Senator it had a very limited legal connotation.

Mr. BALL. I said it was my understanding of the definition in law as I read it in Webster's International Dictionary that it means "legally sound and sufficient." In my committee work in the Senate it has always been my understanding of the word "valid" that it meant legally sound and sufficient. The Senator from Michigan, I think, by his definition on the floor has clearly broadened the meaning of the word "valid" insofar as the bill is concerned, certainly, because what he has said as chairman of the committee is a part of the legislative history of the bill.

Mr. COOPER. Mr. President, I should also like to suggest to the Senator that even from the legal viewpoint I believe the definition of "valid" is much broader than the Senator has suggested. "Valid" in reality means not only effective because of some procedural steps which have been taken, but because of the very substance of the arrangement, the mutual obligations under the situation, and the circumstances which surrounded a certain course of action. If that definition, and I believe it is the true legal definition of valid, is applied, it would be as broad as the definition which has been suggested by the Senator from Michigan.

Mr. BALL. I defer to the Senator from Kentucky, although it still seems to me the connotation by law is always legally capable of proof and sufficient and binding, rather than the broader one.

Mr. DWORSHAK. Mr. President, if the Senator will yield, while we are discussing provisions concerning the stabilization of currency in western European countries, I should like to call the attention of the Senator from Minnesota to an Associated Press dispatch from London which appeared in the Wall Street Journal on March 5, from which I quote:

Sir Stafford Cripps said Britain does not intend to cheapen the pound sterling as a way of fighting her economic crisis. "Com-

plete nonsense," was the treasury chief's comment on the devaluation rumor.

So obviously we are merely wasting the time of the Senate when we discuss the possibilities of stabilization of currency in England and other countries in the light of such statements made by the British Chancellor of the Exchequer.

Mr. BALL. I thank the Senator.

Mr. President, if the amendment I have proposed were included in the bill, I do not think it would require the Secretary of State to insist that Britain devalue the pound. I think there are other circumstances that enter into it, but I do not think a situation is sound economically or can long promote real recovery or can really promote recovery, when the currency of one nation is artificially pegged at a rate which gives it in terms of foreign countries a higher purchasing power than it actually has. I think we will reach a situation when the free movement of trade and commerce in the free market will determine largely the relative values in terms of foreign exchange of the various currencies.

Mr. WHERRY. Mr. President, I should like to ask the distinguished Senator from Michigan one or two questions. Is it correct to say that the rate of exchange applies or will be applied by the Administrator among participating countries and with other countries?

Mr. VANDENBERG. The Administrator does not apply rates of exchange.

Mr. WHERRY. I mean the validity is recognized by him, is it not?

Mr. VANDENBERG. Yes. It is one of the factors which he will take into consideration when he is determining whether or not a good faith offer is being made to stabilize currency, balance budgets, and so forth.

Mr. WHERRY. Does he make that determination when one of the participating countries transacts business with a satellite country?

Mr. VANDENBERG. I assume it is an over-all judgment.

Mr. WHERRY. Even with respect to Russia?

Mr. VANDENBERG. Yes, on the record for the year.

Mr. WHERRY. I read with some interest yesterday afternoon a report on the same question relative to the difficulty which the eastern Russian countries have in determining validity. That was the word used in the report. I consulted the dictionary, which in that connection used the word "legal." I think the statement made by the senior Senator from Kentucky has broadened it, which I think is a good thing. The statement was that it was impossible to establish a rate of exchange between the satellite countries and Russia in trading among themselves except it be translated into terms of American dollars. For instance, if steel or machinery were to be allocated as between one country and another, it would be impossible for them to arrive at a rate of exchange. They would have to barter with regard to what the material was worth in American dollars. Am I correct in that statement?

Mr. VANDENBERG. I would not know, but I should think such a situation could exist.

Mr. WHERRY. If that premise be correct, it is my feeling, in joining in the amendment, that we are seeking to accomplish what the Senator has said will be accomplished by the bill. It broadens the situation so that the Administrator would have the right to insist that the rate of exchange with participating countries and satellite countries, or even with Russia, should be based with legal accuracy upon a realistic dollar. My feeling is that in order to make that determination, if we are to translate it into tons of steel or millions of feet of lumber, or whatever commodity may be involved, it would have to be done by translating it into American dollars and then into the different commodities and values which the Administrator would interpret, regardless of the exchange rate on currency between France and England, Italy and England, or as between any other European countries.

I attended a farm sale in France within the past year and a half and saw a 2-year-old colt sell for 187,000 francs. In American money, at the then rate of exchange, it would amount to approximately \$1,500.

Under the terms of the definition, certainly the Administrator, if he should apply this rule, would require that the colt's price should be based upon a realistic dollar, and that an artificial rate of exchange be not paid for the animal. If it can be done under the original wording, if it is broad enough to accomplish what is said will be done, that is an entirely different situation from the interpretation of the definition which I have gathered as to the valid rate of exchange. Possibly we are all trying to accomplish the same thing. We are asking the Administrator to determine the value of a realistic dollar in trade between not only participating countries, but satellite countries as well.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield to the Senator from Texas.

Mr. CONNALLY. May I suggest to the Senator that the matter of exchange in the disturbed and chaotic condition through which the world is now passing—I hope it is passing through—is a very difficult question. The language of the bill provides that countries shall make agreements to do what? Among other things, to establish a valid rate of exchange. What is a valid rate of exchange? It means an honest rate of exchange, one which is not artificial, not manipulated.

Mr. WHERRY. Of course a valid rate of exchange has to be determined by the Administrator.

Mr. CONNALLY. No.

Mr. WHERRY. That is his power and right.

Mr. CONNALLY. In the final analysis, yes.

Mr. WHERRY. That is what I mean.

Mr. CONNALLY. If he should find that the government which made the contract was not undertaking to establish a valid rate of exchange, he could cancel the contract.

Mr. WHERRY. Or if the rate of exchange did not properly reflect the value he believed it should reflect, he could insist that it do so.

Mr. CONNALLY. That would probably be included in the broad term of "validity." The point I make is that we cannot here fix the rates of exchange. They change every day. They fluctuate just as do other commodities. Money is a commodity on the market. All we can do, as I see it, is to require the countries involved to make an honest effort to stabilize their currencies at some fixed value, and it should be a value which will be fairly representative of the value of commodities in other currencies. When they make such an honest effort to stabilize their currencies and adopt a valid currency, that is all they can do. If they seek to avoid that and to manipulate their currencies and indulge in operations in the black market our remedy is to cut them off.

Mr. WHERRY. I agree with the Senator.

Mr. CONNALLY. I think the word "validity" is much more desirable than the other language which is proposed.

Mr. WHERRY. Cannot all that be established through the amendment which is being offered, which simply provides for a rate of exchange which will reflect with reasonable accuracy the real purchasing power of the currency involved?

Mr. CONNALLY. The relative purchasing power.

Mr. WHERRY. That is correct.

Mr. CONNALLY. How is the Administrator to pass on the relative purchasing power of such currencies?

Mr. WHERRY. In arriving at the validity of the rate of exchange he would have to pass on that question anyway. If he should not do that, he would not be doing what is expected under the power given him, because if there be any invalidity he must make that determination.

Mr. BALL. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. BALL. It seems to me that in determining the relative purchasing power of the dollar versus the franc it is a very simple matter. The Senator from Texas [Mr. CONNALLY] was asking how the Secretary of State or the Administrator would determine whether the mild directive in the amendment was being met if it should become a part of the bill. I think that would be a very simple matter. Every country maintains commodity exchanges where basic commodities are bought and sold, and the relative purchasing power of the dollar versus the franc could be easily determined by comparing the average prices of commodities in this country with the average cost in dollars of a ton of wheat, for instance, on the French exchange. I do not think that would present any difficulty whatever. I agree that there might be other considerations which might enter into the question, but I think necessary flexibility is well taken care of by the language in lines 12 and 13, on page 28, which modifies all of the directives.

Mr. CAIN. Mr. President, will the Senator from Nebraska yield?

Mr. WHERRY. I yield.

Mr. CAIN. I should like to pose a situation to the Senator from Nebraska. In section 2 of the committee bill, participating countries are encouraged generally to restore and maintain confidence in their monetary systems. We have a right to take it as a fact that if the differences between a free rate of exchange and a legal rate of exchange can be done away with, there will be a terrific acceleration in the public acceptance of, and confidence in, the monetary system.

Mr. WHERRY. I should certainly think so. That is the purpose of the amendment.

Mr. CAIN. If we had in this country a black market, or a free market, and a legal market, for American dollars, we would not have very much confidence in our own system would we?

Mr. WHERRY. No.

Mr. CAIN. I take it that the amendment offered by the Senator from Minnesota is but America's declaration of a very positive encouragement to other countries to work as rapidly as they can to get away from their prevailing legal and free monetary rate differences.

Mr. WHERRY. Certainly. The countries arranging this stabilization do everything they can in their power to bring about the very suggestions made by the senior Senator from Michigan, but instead of letting the Administrator or anyone else say, "That is a valid rate of exchange," the amendment offered goes the other way, and encourages them to establish their rate of exchange, which reflects the reasonable accuracy of the relative purchasing power of the currencies involved. I cannot see anything wrong with that. I think it is encouragement. I think it eliminates the black market rather than encourages it, and although it might be spelled out in four or five different terms, it certainly would accomplish the very thing the senior Senator from Michigan is attempting to accomplish, to broaden out the terms of the word "validity."

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Minnesota [Mr. BALL]. The yeas and nays have been ordered, and the clerk will call the roll.

The Chief Clerk called the roll.

Mr. WHERRY. I announce that the Senator from Connecticut [Mr. BALDWIN] is absent because of the death of the Governor of Connecticut.

The Senator from Delaware [Mr. BUCK] is detained on official committee business. If present and voting, he would vote "nay."

The Senator from South Dakota [Mr. BUSHFIELD] who is necessarily absent, is paired with the Senator from Tennessee [Mr. STEWART]. The Senator from South Dakota, if present and voting, would vote "yea," and the Senator from Tennessee, if present and voting, would vote "nay."

The Senator from Kansas [Mr. CAPPER] is unavoidably detained. If present and voting, he would vote "nay."

The Senator from New Jersey [Mr. HAWKES] is necessarily absent.

The Senator from Pennsylvania [Mr. MARTIN] is absent on official State business. If present and voting, he would vote "nay."

The Senator from Minnesota [Mr. THYE] is unavoidably detained. If present and voting, he would vote "nay."

The Senator from New Hampshire [Mr. TOBEY] is absent because of elections in his State.

The Senator from North Dakota [Mr. YOUNG] is absent by leave of the Senate.

The Senator from Iowa [Mr. WILSON] is unavoidably detained. If present and voting, he would vote "nay."

Mr. LUCAS. I announce that the Senator from Virginia [Mr. BYRD], the Senator from New Mexico [Mr. CHAVEZ], the Senator from North Carolina [Mr. HOEY], and the Senator from Rhode Island [Mr. MCGRATH] are absent on official business.

The Senator from New Mexico [Mr. HATCH] is absent on official business at one of the Government departments.

The Senator from South Carolina [Mr. JOHNSTON] is absent on official business at a conference committee meeting.

The Senator from Washington [Mr. MAGNUSON] and the Senator from Montana [Mr. MURRAY] are absent on public business.

The Senator from Maryland [Mr. TYDINGS] is absent because of illness.

The Senator from North Carolina [Mr. UMSTEAD] and the Senator from New York [Mr. WAGNER] are necessarily absent.

The Senator from Tennessee [Mr. STEWART], who is absent by leave of the Senate, is paired with the Senator from South Dakota [Mr. BUSHFIELD]. If present and voting, the Senator from Tennessee would vote "nay," and the Senator from South Dakota would vote "yea."

If presenting and voting, the Senators from New Mexico [Mr. CHAVEZ and Mr. HATCH], the Senators from North Carolina [Mr. HOEY and Mr. UMSTEAD], the Senator from Washington [Mr. MAGNUSON], the Senator from South Carolina [Mr. JOHNSTON], the Senator from Rhode Island [Mr. MCGRATH], the Senator from Montana [Mr. MURRAY], the Senator from Maryland [Mr. TYDINGS], and the Senator from New York [Mr. WAGNER] would vote "nay."

The result was announced—yeas 19, nays 53, as follows:

YEAS—19

Ball	Jenner	Reed
Brooks	Johnson, Colo.	Revercomb
Butler	Kem	Robertson, Wyo.
Cain	Langer	Watkins
Capehart	Malone	Wherry
Dworschak	Moore	
Eaton	O'Daniel	

NAYS—53

Aiken	Flanders	Lucas
Barkley	Fulbright	McCarran
Bricker	George	McCarthy
Brewster	Green	McClellan
Bridges	Gurney	McFarland
Connally	Hayden	McKellar
Cooper	Hickenlooper	McMahon
Cordon	Hill	Maybank
Donnell	Holland	Millikin
Downey	Ives	Morse
Eastland	Kilgore	Myers
Ellender	Knowland	O'Connor
Ferguson	Lodge	O'Mahoney

Overton
Pepper
Robertson, Va.
Russell
Saltonstall

Smith
Sparkman
Stennis
Taylor
Thomas, Okla.

Thomas, Utah
Vandenberg
Wiley
Williams

NOT VOTING—24

Baldwin
Buck
Bushfield
Byrd
Capper
Chavez
Hatch
Hawkes

Hoey
Johnston, S. C.
McGrath
Magnuson
Martin
Murray
Stewart
Taft

Thye
Tobey
Tydings
Umstead
Wagner
White
Wilson
Young

So Mr. BALL's amendment was rejected.

Mr. BARKLEY. Mr. President, a few days ago during the course of a colloquy between the Senator from Nebraska [Mr. WHERRY], the Senator from Michigan [Mr. VANDENBERG], and myself, information was sought with reference to a program of dismantlement of plants in Germany and reparations under the Berlin agreement to nations which suffered from the German aggression. I have secured some data which I think might be interesting to the Senate, and which, it seems to me, will clarify the situation in some respects. It is for that purpose alone that I am taking the floor at this time.

Senators will recall that after the surrender of the German armies in the spring of 1945 various meetings took place in regard to the occupation of Germany and in regard to the destruction of Germany's war potential, and how compensation or reparations to the nations which had been invaded or which had suffered on account of the German invasion in the war might be paid.

In March of 1946 there was issued what is called the Berlin Protocol, which was an agreement among the three nations, Great Britain, the United States, and Russia, with reference to the dismantlement of German plants. The question of reparations was tied into that. They entered into an agreement which is entitled "Allied Control Authority. The Plan for Reparations and the Level of Postwar German Economy."

The plan contained in the pamphlet under the heading as I have just read it, was agreed to in March, 1946. Under that plan the plants in Germany were divided into categories, and the production of commodities was divided into categories. One was the "Prohibited Industries," those which were not to be allowed to be resumed, and whose plants should be destroyed; the other category was "Restricted Industries," those which might be restricted either in their production or in some other fashion.

The number of plants involved in the first plan, which were to be destroyed or removed, was approximately 1,850, as I stated the other day in the colloquy between the Senator from Nebraska and myself.

Mr. President, in order that the Senate may have all the facts involved in the agreement, which sets forth the categories, and also the Report of the Tripartite Conference of Berlin, which was signed by J. V. Stalin, Harry S. Truman, and C. R. Attlee, I ask that at this point in the RECORD the compendium I have spoken of may be printed as a part of my remarks.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

THE PLAN FOR REPARATIONS AND THE LEVEL OF POSTWAR GERMAN ECONOMY IN ACCORDANCE WITH THE BERLIN PROTOCOL

1. In accordance with the Berlin Protocol the Allied Control Council is directed to determine the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparations.

The guiding principles regarding the plan for reparations and the level of Germany's postwar economy in accordance with the Berlin Protocol are:

(a) Elimination of the German war potential and the industrial disarmament of Germany.

(b) Payment of reparations to the countries which had suffered from German aggression.

(c) Development of agricultural and peaceful industries.

(d) Maintenance in Germany of average living standards not exceeding the average standard of living of European countries (excluding the United Kingdom and the Union of Soviet Socialist Republics).

(e) Retention in Germany, after payment of reparations, of sufficient resources to enable her to maintain herself without external assistance.

2. In accordance with these principles, the basic elements of the plan have been agreed. The assumptions of the plan are:

(a) That the population of postwar Germany will be 66,500,000.

(b) That Germany will be treated as a single economic unit.

(c) That exports from Germany will be acceptable in the international markets.

PROHIBITED INDUSTRIES

3. In order to eliminate Germany's war potential, the production of arms, ammunition, and implements of war, as well as all types of aircraft and seagoing ships, is prohibited and will be prevented.

4. All industrial capital equipment for the production of the following items is to be eliminated:

- (a) Synthetic gasoline and oil.
- (b) Synthetic rubber.
- (c) Synthetic ammonia.
- (d) Ball and taper roller bearings.
- (e) Heavy machine tools of certain types.
- (f) Heavy tractors.
- (g) Primary aluminum.
- (h) Magnesium.
- (i) Beryllium.
- (j) Vanadium produced from Thomas slags.
- (k) Radio-active materials.
- (l) Hydrogen peroxide above 50 percent strength.
- (m) Specific war chemicals and gases.
- (n) Radio transmitting equipment.

Facilities for the production of synthetic gasoline and oil, synthetic ammonia, and synthetic rubber, and of ball and taper roller bearings, will be temporarily retained to meet domestic requirements until the necessary imports are available and can be paid for.

RESTRICTED INDUSTRIES

Metallurgical industries

5. Steel:

(a) The production capacity of the steel industry to be left in Germany should be 7,500,000 ingot tons. This figure should be subject to review for further reduction should this appear necessary.

(b) The allowable production of steel in Germany should not exceed 5,800,000 ingot tons in any future year without the specific approval of the Allied Control Council, but this figure will be subject to annual review by the Control Council.

(c) The steel plants to be left in Germany under the above program should, so far as practicable, be the older ones.

6. Nonferrous metals:

The annual consumption of nonferrous metals, including exports of products containing these metals, is fixed at the following quantities:

	Tons
Copper-----	140,000
Zinc-----	135,000
Lead-----	120,000
Tin-----	8,000
Nickel-----	1,750

Chemical industries

7. (a) Basic chemicals: In the basic chemical industries there will be retained 40 percent of the 1936 production capacity (measured by sales in 1936 values). This group includes the following basic chemicals: Nitrogen, phosphate, calcium carbide, alkalis, sulphuric acid, and chlorine. In addition, to obtain required quantities of fertilizer for agriculture, existing capacity for the production of nitrogen through the synthetic ammonia process will be retained until the necessary imports of nitrogen are available and can be paid for.

(b) Other chemicals: Production capacity will be retained for the group of other chemical production in the amount of 70 percent of the 1936 production capacity (measured by sales in 1936 values). This group includes chemicals for building supplies, consumer goods items, plastics, industrial supplies, and other miscellaneous chemical products.

(c) Dyestuffs, pharmaceuticals, and synthetic fibers: In the pharmaceutical industry there will be retained capacity for the annual production of 80 percent of 1936 production (measured by sales in 1936 values). Capacity will be retained to produce annually 36,000 tons of dyestuffs and 185,000 tons of synthetic fibers.

Machine manufacturing and engineering

8. (a) Machine tools: For the machine-tool industry there will be retained 11.4 percent of 1938 capacity, with additional restrictions on the type and size of machine tools which may be produced.

(b) Heavy engineering: In the heavy engineering industries there will be retained 31 percent of 1938 capacity. These industries produce metallurgical equipment; heavy mining machinery; material handling plant; heavy power equipment (boilers and turbines; prime movers; heavy compressors; turbo blowers, and pumps).

(c) Other mechanical engineering. In other mechanical engineering industries there will be retained 50 percent of 1938 capacity.

This group produces constructional equipment; textile machinery; consumer goods equipment; engineering small tools; food processing equipment; woodworking machines; other machines and apparatus.

(d) Electroengineering. In the electroengineering industries there will be retained 50 percent of 1938 production capacity (based on sales in 1936 value). Capacity to produce heavy electrical equipment is to be reduced to 30 percent of 1938 production or RM 40,000,000 (1936 value). Heavy electrical equipment includes generators and converters, 6,000 kilowatts and over; high tension switch gear; and large transformers, 1,500 kilovolt-amperes and over.

Electroengineering other than heavy electrical equipment includes electric lamps and light fittings, installation materials, electric heating and domestic appliances, cables, and wires, telephone and telegraph apparatus, domestic radios, and other electrical equipment.

Export of specified types of radio receiving sets is forbidden.

(e) Transport engineering:

(i) In the automotive industry capacity will be retained to produce annually 80,000 autos, including 40,000 passenger cars and 40,000 trucks, and for 4,000 light road tractors.

(ii) Capacity will be retained to produce annually 10,000 motorcycles with cylinder sizes between 60 and 250 cubic centimeters. Production of motorcycles with cylinder sizes of more than 250 cubic centimeters is prohibited.

(iii) In the locomotive industry available capacity will be used exclusively for the repair of the existing stock of locomotives in order to build up a pool of 15,000 locomotives in 1949. A decision will be made later as to the production of new locomotives after 1949.

(iv) Sufficient capacity will be retained to produce annually 30,000 freight cars, 1,350 passenger coaches, and 400 luggage vans.

(f) Agricultural machinery: To permit maximization of agriculture, capacity will be retained for an annual production of 10,000 light agricultural tractors. Existing capacity for the production of other agricultural equipment, estimated at 80 percent of 1938 levels, is to be retained, subject to restrictions on the type and power of the equipment which may be produced.

(g) In estimating capacities there will be taken into account the production of normal quantities of spare parts for transport and agricultural machinery.

(h) Optics and precision instruments: Capacity will be retained to produce precision instruments in the value of RM 340,000,000 (1936 value), of which RM 220,000,000 is estimated as required for domestic use and RM 120,000,000 for exports. A further limitation for this industry is possible subject to the recommendations of the Committee for Liquidation of War Potential.

MINING INDUSTRIES

9. (a) Coal: Until the Control Council otherwise decides, coal production will be maximized as far as mining supplies and transport will allow. The minimum production is estimated at 155,000,000 tons (hard coal equivalent), including at least 45,000,000 tons for export. The necessary supplies and services to this end will be arranged to give the maximum production of coal.

(b) Potash: The production of potash is estimated at over 100 percent of the 1938 level.

ELECTRIC POWER

10. There will be retained an installed capacity of 9,000,000 kilowatts.

CEMENT

11. A capacity for the production of 8,000,000 tons of cement annually will be retained.

OTHER INDUSTRIES

12. The estimated levels of the following industries have been calculated as shown below as necessary for the German economy in 1949:

(a) Rubber 50,000 tons, including 20,000 tons from reclaimed rubber and 30,000 tons imports.

(b) Pulp paper, and printing 2,129,000 tons based on 26 kilograms per head per annum in 1949, plus 400,000 tons for export.

(c) Textile and apparel 665,000 tons of fibers based on 10 kilograms per head in 1949, including 2 kilograms for export.

(d) Boots and shoes 113 million pairs based on 1.7 pairs per head in 1949 (figure excludes needs of occupying forces).

Production may exceed the above estimates in this paragraph (other industries) unless otherwise determined by the Control Council.

13. Building. No level will be determined for 1949. The industry will be free to develop within the limits of available resources and the licensing system.

14. Building materials industries (excluding cement). Existing capacity for building materials will be retained. Production will be in accordance with building licensing and export requirements.

15. Other unrestricted industries. For the following industries no levels have been determined for 1949. They are free to develop within the limitations of available resources. These industries are as follows:

- (a) Furniture and woodworking.
- (b) Flat glass, bottle and domestic glass.
- (c) Ceramics.
- (d) Bicycles.
- (e) Motor-bicycles under 60 cubic centimeters.
- (f) Potash.

GENERAL LEVEL OF INDUSTRY

16. It is estimated that the general effect of the plan is a reduction in the level of industry as a whole to a figure of about 50 or 55 percent of the prewar level in 1938 (excluding building and building materials industries).

EXPORTS AND IMPORTS

17. The following agreement has been reached with respect to exports and imports:

(a) That the value of exports from Germany shall be planned as RM 3,000,000,000 (1936) value for 1949, and that sufficient industrial capacity shall be retained to produce goods to this value and cover the internal requirements in Germany in accordance with the Potsdam declaration.

(b) That approved imports will not exceed RM 3,000,000,000 (1936 value) as compared with RM 4,200,000,000 in 1936.

(c) That of the total proceeds from exports, it is estimated that not more than RM

1,500,000,000 can be utilized to pay for imports of food and fodder if this will be required with the understanding that, after all imports approved by the Control Council are paid for, any portion of that sum not needed for food and fodder will be used to pay for costs of occupation and services such as transport, insurances, etc.

DETERMINATION OF CAPACITIES AVAILABLE FOR REPARATIONS

18. After approval of this plan the existing capacities of the separate branches of production shall be determined, and a list of enterprises available for reparations shall be compiled.

19. After decisions have been given on the matter now referred to the Coordinating Committee, the Economic Directorate would propose to prepare the final plan embodying those decisions and including a description of the various features of the plan such as disarmament, reparations, postwar German economy, and the German balance of trade.

BERLIN, March 1946.

LEVEL OF INDUSTRY

I. PROHIBITED INDUSTRIES

A. Production of the following will be entirely prohibited:

- 1. War materials as specifically defined by the Allied Control Authority, including but not limited to arms, ammunition and implements of war, as well as all types of aircraft, specific war chemicals and gases.
- 2. Sea-going ships (not interpreted to include small fishing vessels).
- 3. Magnesium.
- 4. Primary aluminum and alumina for the purpose of producing aluminum.

5. Beryllium.

6. Vanadium produced from Thomas slags.

7. Radio-active materials.

8. Hydrogen peroxide above 50-percent strength.

9. Radio transmitting equipment.

10. Heavy tractors above the limits of capacity determined by the Allied Control Authority.

11. Heavy machine tools of the sizes and types prohibited by the Allied Control Authority.

B. Production of the following items will be permitted only until sufficient imports will be possible and can be paid for:

- 1. Synthetic gasoline and oil.
- 2. Synthetic rubber.
- 3. Ball and taper roller bearings.

C. Production of synthetic ammonia will be permitted until exports can be found to pay for required imports of nitrogen as well as for all other necessary imports. To the extent to which synthetic ammonia production is not eliminated, it will be limited to not more than that amount necessary to meet Germany's peacetime requirements.

II. INDUSTRIES FOR WHICH NO LEVEL WILL BE DETERMINED FOR 1949 AND WHICH ARE FREE TO DEVELOP WITHIN THE LIMITS OF AVAILABLE MATERIAL AND FINANCIAL RESOURCES

- 1. Building and building materials (excluding cement).
- 2. Furniture and woodworking.
- 3. Flat glass, bottle and domestic glass.
- 4. Ceramics.
- 5. Bicycles.
- 6. Motor bicycles under 60 cubic centimeters.
- 7. Potash.

TABLE 1.—Industries, the levels of which are determined or estimated for 1949

PART A. INDUSTRIES FROM WHICH PRODUCTION CAPACITY WILL BE TAKEN FOR REPARATIONS

Serial	Item	Production or supply in prewar years	Estimated level in 1949	Percentage of prewar year considered in column 3	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
1	Steel.....	19.2 million tons (1936).....	7.5 million tons (capacity).....	39	Permitted level of industry subject to annual review (for permitted production (see par. 5 (b) of the plan): (a) Figures for nonferrous metals are for consumption including consumption in exports containing these metals; (b) It is estimated that in 1949, 40,000 tons of copper, 20,000 tons of lead, and 45,000 tons of zinc will be used in the manufacture of exports containing these metals; (c) Figures for nonferrous metals include secondary metal and scrap; (d) Estimated that to meet the requirements of 8,000 tons of tin it will be necessary to import 6,000 tons of tin.
2	Copper.....	292,000 tons (1936).....	140,000 tons.....	48	
3	Zinc.....	225,000 tons (1936).....	135,000 tons.....	60	
4	Lead.....	223,000 tons (1936).....	120,000 tons.....	54	
5	Tin.....	16,000 tons (1936).....	8,000 tons.....	50	
6	Nickel.....	9,500 tons (1936).....	1,750 tons.....	18	
7	Aluminum (consumption).....		30,000 tons.....		
8	Magnesium (consumption).....		1,000 tons.....		
9	Mechanical engineering (excluding agricultural engineering and ball and taper roller bearings): (a) Heavy engineering, comprising metallurgical equipment, heavy mining machinery, material handling plant, heavy power equipment, boilers and turbines, prime movers, heavy compressors, turbo-blowers and pumps. (b) Light engineering and constructional equipment, comprising constructional equipment, textile machinery, other consumer-goods equipment, food-processing equipment, chemical and refining equipment, general engineering materials processing equipment, small tools, wood-working machinery, gas welding and cutting machinery, miscellaneous machines. (c) Machine tools.....	RM. 1,394 million (1938)..... RM. 2,291 million (1938)..... RM 645 million (1938).....	RM. 432 million..... RM. 1,145 million..... RM 74 million.....	31 50 11.4	Machine tools to be limited as regards type and size by the Allied Control Authority.
	Total, mechanical engineering.....	RM 4,330 million (1938).....	RM 1,651 million.....	38.1	
10	Precision instruments and optics.....	RM 491 million (1936).....	RM 340 million.....	70	Including an estimate of RM 120 million for export. A further limitation is possible for this industry depending on the recommendation of the Committee for Liquidation of War Potential.

TABLE 1.—Industries, the levels of which are determined or estimated for 1949—Continued

Serial	Item	Production or supply in prewar years	Estimated level in 1949	Percentage of prewar year considered in column 3	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
11	Agricultural tractors.....	13,900 (1936).....	10,000.....	72	Limited as regards capacity and type.
12	Private cars.....	245,000 (1936).....	40,000.....	16	
13	Commercial vehicles.....	59,000 (1936).....	40,000.....	67	
14	Light road tractors.....	.....	4,000.....	.....
15	Motor-bicycles.....	.....	10,000.....	.....
16	Electrical engineering.....	R.M. 3,000 million (1938).....	R.M. 1,500 million.....	50	Cylinder capacity 60 to 250 cubic centimeters. Motor-bicycles with cylinder capacity over 250 cubic centimeters to be prohibited. Heavy electrical engineering comprises: (i) Generators and convertors 6,000 kilowatts and over; (ii) high tension switch gear; (iii) large transformers 1,500 kilovolt-amperes and over. Nitrogen, phosphates, calcium carbide, sulfuric acid, chlorine, alkali. Production of synthetic ammonia to continue for the time being. [See table 1 (C).] Building supplies, consumer goods, plastics, industrial supplies, other chemicals.
	Of which heavy electrical engineering.....	R.M. 130 million (1938).....	R.M. 40 million.....	30	
17	Basic chemicals.....	R.M. 920 million (1936).....	R.M. 368 million.....	40	
18	Miscellaneous chemical products.....	R.M. 2,112 million (1936).....	R.M. 1,478 million.....	70	
19	Pharmaceuticals:				
	(a) Domestic.....	R.M. 288 million (1936).....	R.M. 212 million.....		
	(b) Export.....	R.M. 125 million (1936).....	R.M. 120 million.....		
	Total.....	R.M. 413 million (1936).....	R.M. 332 million.....	80	
20	Dyestuffs:				
	(a) Domestic:				
	R.M. millions.....		73.....		
	000 tons.....		20.....		
	(b) Export:				
	R.M. millions.....		58.....		
	000 tons.....		16.....		
	Total:				
	R.M. millions.....		131.....		
	000 tons.....		36.....		
21	Cement.....	11.7 million tons (1936).....	8.0 million tons.....	68	
22	Electric power:				
	Installed capacity in million kilowatts.....	15.2 (1936).....	9.0.....	60	

PART B. INDUSTRIES FROM WHICH REPARATIONS ARE NOT ANTICIPATED; BUT THIS POSSIBILITY IS NOT EXCLUDED IF THE CONTROL COUNCIL DECIDES THAT SURPLUSES OF INDUSTRIAL CAPITAL EQUIPMENT ARE NOT REQUIRED IN GERMANY OR FOR EXPORT AND ARE SUITABLE FOR REPARATIONS

Serial	Item	Production or supply in prewar years	Estimated level in 1949	Percentage of prewar year considered in column 3	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
1	Coal.....	208 million tons (1936).....	155 million tons.....	75	Figures in hard-coal equivalents. Until the Control Council otherwise decides, coal production will be maximized as far as mining supplies and transport will allow. The minimum production is estimated at 155 million tons (hard-coal equivalent), including at least 45 million tons for export. The necessary supplies and services to this end will be arranged to give the maximum production of coal.
2	Main-line locomotives.....	285 (1936).....	.....	.....
3	Railway wagons.....	.....	30,000.....	.....
4	Passenger coaches.....	.....	1,350.....	.....
5	Luggage vans.....	.....	400.....	.....
6	Agricultural machinery other than tractors.....	R.M. 323 million (1938).....	R.M. 258 million.....	80	Post-war level not fixed; all capacity to be engaged exclusively on repairs until 1949.
7	Textiles.....	856,000 tons (1936) (weight of fiber).....	665,000 tons (A) synthetic, 185,000 tons (B) natural, 480,000 tons.....	77	
8	Rubber.....	80,000 tons (1936).....	50,000 tons.....	62.5	
9	Paper.....	3,149,000 tons (1936).....	2,129,000 tons.....	65	
10	Boots and shoes.....	160 million pairs (1936).....	113 million pairs.....	70	
		Production can exceed the estimates in table 3 part B (with the exception of locomotives and wagons—serials 2, 3, 4, and 5) unless otherwise determined by the Control Council.			Based on 1.7 pairs per head in 1949 (figure excludes needs of occupying forces).

REPORT OF THE TRIPARTITE CONFERENCE OF BERLIN

I

On 17th July 1945, the President of the United States of America, Harry S. Truman, the chairman of the Council of People's Commissars of the Union of Soviet Socialist Republics, Generalissimo J. V. Stalin, and the Prime Minister of Great Britain, Winston S. Churchill, together with Mr. Clement R. Attlee, met in the Tripartite Conference of Berlin. They were accompanied by the foreign secretaries of the three governments, Mr. James F. Byrnes, Mr. V. M. Molotov, and

Mr. Anthony Eden, the chiefs of staff, and other advisers.

There were nine meetings between 17th July and 25th July. The conference was then interrupted for 2 days while the results of the British general election were being declared.

On 28th July, Mr. Attlee returned to the conference as Prime Minister, accompanied by the new Secretary of State for Foreign Affairs, Mr. Ernest Bevin. Four days of further discussion then took place. During the course of the conference there were regular meetings of the heads of the three governments accompanied by the foreign

Secretaries, and also of the foreign secretaries alone. Committees appointed by the foreign secretaries for preliminary consideration of questions before the conference also met daily.

The meetings of the conference were held at the Caecilienhof, near Potsdam. The conference ended on 2d August, 1945.

Important decisions and agreements were reached. Views were exchanged on a number of other questions and consideration of these matters will be continued by the Council of Foreign Ministers established by the conference.

President Truman, Generalissimo Stalin, and Prime Minister Attlee leave this conference, which has strengthened the ties between the three governments and extended the scope of their collaboration and understanding, with renewed confidence that their governments and peoples, together with the other United Nations, will insure the creation of a just and enduring peace.

II. ESTABLISHMENT OF A COUNCIL OF FOREIGN MINISTERS

The conference reached an agreement for the establishment of a Council of Foreign Ministers representing the five principal powers to continue the necessary preparatory work for the peace settlements and to take up other matters which from time to time may be referred to the Council by agreement of the governments participating in the Council.

The text of the agreement for the establishment of the Council of Foreign Ministers is as follows:

1. There shall be established a Council composed of the foreign ministers of the United Kingdom, the Union of Soviet Socialist Republics, China, France, and the United States.

2. (i) The Council shall normally meet in London which shall be the permanent seat of the joint secretariat which the Council will form. Each of the foreign ministers will be accompanied by a high-ranking deputy, duly authorized to carry on the work of the Council in the absence of his foreign minister, and by a small staff of technical advisers.

(ii) The first meeting of the Council shall be held in London not later than 1st September 1945. Meetings may be held by common agreement in other capitals as may be agreed from time to time.

3. (i) As its immediate important task, the Council shall be authorized to draw up, with a view to their submission to the United Nations, treaties of peace with Italy, Rumania, Bulgaria, Hungary, and Finland, and to propose settlements of territorial questions outstanding on the termination of the war in Europe. The Council shall be utilized for the preparation of a peace settlement for Germany to be accepted by the Government of Germany when a government adequate for the purpose is established.

(ii) For the discharge of each of these tasks the Council will be composed of the members representing those states which were signatory to the terms of surrender imposed upon the enemy state concerned. For the purpose of the peace settlement for Italy, France shall be regarded as a signatory to the terms of surrender for Italy. Other members will be invited to participate when matters directly concerning them are under discussion.

(iii) Other matters may from time to time be referred to the Council by agreement between the member governments.

4. (i) Whenever the Council is considering a question of direct interest to a state not represented thereon, such state should be invited to send representatives to participate in the discussion and study of that question.

(ii) The Council may adapt its procedure to the particular problem under consideration. In some cases it may hold its own preliminary discussions prior to the participation of other interested states. In other cases, the Council may convoke a formal conference of the state chiefly interested in seeking a solution of the particular problem.

In accordance with the decision of the conference the three governments have each addressed an identical invitation to the Governments of China and France to adopt this text and to join in establishing the Council.

The establishment of the Council of Foreign Ministers for the specific purposes named in the text will be without prejudice to the agreement of the Crimea Conference that there should be periodic consultation among the Foreign Secretaries of the United

States, the Union of Soviet Socialist Republics, and the United Kingdom.

The conference also considered the position of the European Advisory Commission in the light of the agreement to establish the Council of Foreign Ministers. It was noted with satisfaction that the Commission had able discharged its principal tasks by the recommendations that it had furnished for the terms of Germany's unconditional surrender, for the zones of occupation in Germany and Austria, and for the inter-Allied control machinery in those countries. It was felt that further work of a detailed character for the coordination of Allied policy for the control of Germany and Austria would in future fall within the competence of the Allied Control Council at Berlin and the Allied Commission at Vienna. Accordingly it was agreed to recommend that the European Advisory Commission be dissolved.

III. GERMANY

The Allied armies are in occupation of the whole of Germany and the German people have begun to atone for the terrible crimes committed under the leadership of those whom, in the hour of their success, they openly approved and blindly obeyed.

Agreement has been reached at this conference on the political and economic principles of a coordinated Allied policy toward defeated Germany during the period of Allied control.

The purpose of this agreement is to carry out the Crimea declaration on Germany. German militarism and nazism will be extirpated and the Allies will take in agreement together, now and in the future, the other measures necessary to assure that Germany never again will threaten her neighbors or the peace of the world.

It is not the intention of the Allies to destroy or enslave the German people. It is the intention of the Allies that the German people be given the opportunity to prepare for the eventual reconstruction of their life on a democratic and peaceful basis. If their own efforts are steadily directed to this end, it will be possible for them in due course to take their place among the free and peaceful peoples of the world.

The text of the agreement is as follows:

"THE POLITICAL AND ECONOMIC PRINCIPLES TO GOVERN THE TREATMENT OF GERMANY IN THE INITIAL CONTROL PERIOD"

"A. POLITICAL PRINCIPLES"

"1. In accordance with the Agreement on Control Machinery in Germany, supreme authority in Germany is exercised on instructions from their respective Governments, by the Commander-in-Chief of the armed forces of the United States of America, the United Kingdom, the Union of Soviet Socialist Republics, and the French Republic, each in his own zone of occupation, and also jointly, in matters affecting Germany as a whole, in their capacity as members of the Control Council.

"2. So far as is practicable, there shall be uniformity of treatment of the German population throughout Germany.

"3. The purposes of the occupation of Germany by which the Control Council shall be guided are:

"(i) The complete disarmament and demilitarization of Germany and the elimination or control of all German industry that could be used for military production. To these ends—

"(a) All German land, naval, and air forces, the SS, SA, SD, and Gestapo, with all their organizations, staffs, and institutions, including the general staff, the officers' corps, reserve corps, military schools, war veterans' organizations, and all other military and quasi-military organizations, together with all clubs and associations which serve to keep alive the military tradition in Germany, shall be completely and finally abolished in such manner as perma-

nently to prevent the revival or reorganization of German militarism and nazism.

"(b) All arms, ammunition, and implements of war and all specialized facilities for their production shall be held at the disposal of the Allies or destroyed. The maintenance and production of all aircraft and all arms, ammunition and implements of war shall be prevented.

"(ii) To convince the German people that they have suffered a total military defeat and that they cannot escape responsibility for what they have brought upon themselves, since their own ruthless warfare and the fanatical Nazi resistance have destroyed German economy and made chaos and suffering inevitable.

"(iii) To destroy the National Socialist Party and its affiliated and supervised organizations, to dissolve all Nazi institutions, to insure that they are not revived in any form, and to prevent all Nazi and militarist activity or propaganda.

"(iv) To prepare for the eventual reconstruction of German political life on a democratic basis and for eventual peaceful cooperation in international life by Germany.

"4. All Nazi laws which provided the basis of the Hitler regime or established discrimination on grounds of race, creed, or political opinion shall be abolished. No such discriminations, whether legal, administrative, or otherwise, shall be tolerated.

"5. War criminals and those who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes shall be arrested and brought to judgment. Nazi leaders, influential Nazi supporters, and high officials of Nazi organizations and institutions, and any other persons dangerous to the occupation or its objectives shall be arrested and interned.

"6. All members of the Nazi Party who have been more than nominal participants in its activities and all other persons hostile to Allied purposes shall be removed from public and semipublic office, and from positions of responsibility in important private undertakings. Such persons shall be replaced by persons who, by their political and moral qualities, are deemed capable of assisting in developing genuine democratic institutions in Germany.

"7. German education shall be so controlled as completely to eliminate Nazi and militarist doctrines and to make possible the successful development of democratic ideas.

"8. The judicial system will be reorganized in accordance with the principles of democracy, of justice under law, and of equal rights for all citizens without distinction of race, nationality, or religion.

"9. The administration of affairs in Germany should be directed toward the decentralization of the political structure and the development of local responsibility. To this end:

"(i) Local self-government shall be restored throughout Germany on democratic principles, and in particular, through elective councils as rapidly as is consistent with military security and the purposes of military occupation.

"(ii) All democratic political parties with rights of assembly and of public discussion shall be allowed and encouraged throughout Germany.

"(iii) Representative and elective principles shall be introduced into regional, provincial, and state (Land) administration as rapidly as may be justified by the successful application of these principles in local self-government.

"(iv) For the time being no central German Government shall be established. Notwithstanding this, however, certain essential central German administrative departments, headed by State secretaries, shall be established, particularly in the fields of finance, transport, communications, foreign trade,

and industry. Such departments will act under the direction of the Control Council.

"10. Subject to the necessity for maintaining military security, freedom of speech, press, and religion shall be permitted, and religious institutions shall be respected. Subject likewise to the maintenance of military security, the formation of free trade unions shall be permitted.

"B. ECONOMIC PRINCIPLES

"11. In order to eliminate Germany's war potential, the production of arms, ammunition, and implements of war as well as all types of aircraft and seagoing ships shall be prohibited and prevented. Production of metals, chemicals, machinery, and other items that are directly necessary to a war economy shall be rigidly controlled and restricted to Germany's approved postwar peacetime needs to meet the objectives stated in paragraph 15. Productive capacity not needed for permitted production shall be removed in accordance with the reparations plan recommended by the Allied Commission on Reparations and approved by the governments concerned or, if not removed, shall be destroyed.

"12. At the earliest practicable date, the German economy shall be decentralized for the purpose of eliminating the present excessive concentration of economic power as exemplified in particular by cartels, syndicates, trusts, and other monopolistic arrangements.

"13. In organizing the German economy, primary emphasis shall be given to the development of agriculture and peaceful domestic industries.

"14. During the period of occupation Germany shall be treated as a single economic unit. To this end common policies shall be established in regard to—

"(a) Mining and industrial production and allocation.

"(b) Agriculture, forestry, and fishing.

"(c) Wages, prices, and rationing.

"(d) Import and export programs for Germany as a whole.

"(e) Currency and banking, central taxation, and customs.

"(f) Reparation and removal of industrial war potential.

"(g) Transportation and communications.

"In applying these policies account shall be taken, where appropriate, of varying local conditions.

"15. Allied controls shall be imposed upon the German economy but only to the extent necessary—

"(a) To carry out programs of industrial disarmament and demilitarization of reparations, and of approved exports and imports.

"(b) To assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany and essential to maintain in Germany average living standards not exceeding the average of standards of living of European countries. (European countries means all European countries excluding the United Kingdom and the Union of Soviet Socialist Republics.)

"(c) To insure in the manner determined by the Control Council the equitable distribution of essential commodities between the several zones so as to produce a balanced economy throughout Germany and reduce the need for imports.

"(d) To control German industry and all economic and financial international transactions, including exports and imports, with the aim of preventing Germany from developing a war potential and of achieving the other objectives named herein.

"(e) To control all German public or private scientific bodies, research and experimental institutions, laboratories, etc., connected with economic activities.

"16. In the imposition and maintenance of economic controls established by the Control Council, German administrative machinery shall be created and the German au-

thorities shall be required to the fullest extent practicable to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and any breakdown in these controls will rest with themselves. Any German controls which may run counter to the objectives of occupation will be prohibited.

"17. Measures shall be promptly taken—

"(a) to effect essential repair of transport;

"(b) to enlarge coal production;

"(c) to maximize agricultural output; and

"(d) to effect emergency repair of housing and essential utilities.

"18. Appropriate steps shall be taken by the Control Council to exercise control and the power of disposition over German-owned external assets not already under the control of United Nations which have taken part in the war against Germany.

"19. Payment of reparations should leave enough resources to enable the German people to subsist without external assistance. In working out the economic balance of Germany the necessary means must be provided to pay for imports approved by the Control Council in Germany. The proceeds of exports from current production and stock shall be available in the first place for payment for such imports.

"The above clause will not apply to the equipment and products referred to in paragraphs 4 (a) and 4 (b) of the reparations agreement."

IV. REPARATIONS FROM GERMANY

In accordance with the Crimea decision that Germany be compelled to compensate to the greatest possible extent for the loss and suffering that she has caused to the United Nations and for which the German people cannot escape responsibility, the following agreement on reparations was reached:

1. Reparation claims of the U. S. S. R. shall be met by removals from the zone of Germany occupied by the U. S. S. R. and from appropriate German external assets.

2. The U. S. S. R. undertakes to settle the reparation claims of Poland from its own share of reparations.

3. The reparation claims of the United States, the United Kingdom, and other countries entitled to reparations shall be met from the western zones and from appropriate German external assets.

4. In addition to the reparations to be taken by the U. S. S. R. from its own zone of occupation, the U. S. S. R. shall receive additionally from the western zones:

(a) 15 percent of such usable and complete industrial capital equipment, in the first place from the metallurgical, chemical, and machine-manufacturing industries, as is unnecessary for the German peace economy and should be removed from the western zones of Germany, in exchange for an equivalent value of food, coal, potash, zinc, timber, clay products, petroleum products, and such other commodities as may be agreed upon.

(b) 10 percent of such industrial capital equipment as is unnecessary for the German peace economy and should be removed from the western zones, to be transferred to the Soviet Government on reparations account without payment or exchange of any kind in return.

Removals of equipment as provided in (a) and (b) above shall be made simultaneously.

5. The amount of equipment to be removed from the western zones on account of reparations must be determined within 6 months from now at the latest.

6. Removals of industrial capital equipment shall begin as soon as possible and shall be completed within 2 years from the determination specified in paragraph 5. The delivery of products covered by 4 (a) above shall

begin as soon as possible and shall be made by the U. S. S. R. in agreed installments within 5 years of the date hereof. The determination of the amount and character of the industrial capital equipment unnecessary for the German peace economy and therefore available for reparations shall be made by the Control Council under policies fixed by the Allied Commission on Reparations, with the participation of France, subject to the final approval of the zone commander in the zone from which the equipment is to be removed.

7. Prior to the fixing of the total amount of equipment subject to removal, advance deliveries shall be made in respect of such equipment as will be determined to be eligible for delivery in accordance with the procedure set forth in the last sentence of paragraph 6.

8. The Soviet Government renounces all claims in respect of reparations to shares of German enterprises which are located in the western zones of occupation in Germany as well as to German foreign assets in all countries except those specified in paragraph 9 below.

9. The Governments of the United Kingdom and United States of America renounce their claims in respect of reparations to shares of German enterprises which are located in the eastern zone of occupation in Germany, as well as to German foreign assets in Bulgaria, Finland, Hungary, Rumania, and eastern Austria.

10. The Soviet Government makes no claims to gold captured by the Allied troops in Germany.

V. DISPOSAL OF THE GERMAN NAVY AND MERCHANT MARINE

The Conference agreed in principle upon arrangements for the use and disposal of the surrendered German fleet and merchant ships. It was decided that the three Governments would appoint experts to work out together detailed plans to give effect to the agreed principles. A further joint statement will be published simultaneously by the three Governments in due course.

VI. CITY OF KOENIGSBERG AND THE ADJACENT AREA

The Conference examined a proposal by the Soviet Government that pending the final determination of territorial questions at the peace settlement, the section of the western frontier of the Union of Soviet Socialist Republics which is adjacent to the Baltic Sea should pass from a point on the eastern shore of the Bay of Danzig to the east, north of Braunsberg-Goldap, to the meeting point of the frontiers of Lithuania, the Polish Republic, and East Prussia.

The Conference has agreed in principle to the proposal of the Soviet Government concerning the ultimate transfer to the Soviet Union of the city of Koenigsberg and the area adjacent to it as described above, subject to expert examination of the actual frontier.

The President of the United States and the British Prime Minister have declared that they will support the proposal of the Conference at the forthcoming peace settlement.

VII. WAR CRIMINALS

The three Governments have taken note of the discussions which have been proceeding in recent weeks in London between British, United States, Soviet, and French representatives with a view to reaching agreement on the methods of trial of those major war criminals whose crimes under the Moscow Declaration of October 1943, have no particular geographic allocation. The three Governments reaffirm their intention to bring those criminals to swift and sure justice. They hope that the negotiations in London will result in speedy agreement being reached for this purpose, and they regard it as a matter of great importance that the trial of those major criminals should begin at the earliest possible date. The first list of defendants will be published before September 1.

VIII. AUSTRIA

The Conference examined a proposal by the Soviet Government on the extension of the authority of the Austrian Provisional Government to all of Austria.

The three Governments agreed that they were prepared to examine this question after the entry of the British and American forces into the city of Vienna.

IX. POLAND

The Conference considered questions relating to the Polish Provisional Government and the western boundary of Poland.

On the Polish Provisional Government of National Unity they defined their attitude in the following statement:

"(a) We have taken note with pleasure of the agreement reached among representative Poles from Poland and abroad which has made possible the formation, in accordance with the decisions reached at the Crimea Conference, of a Polish Provisional Government of National Unity recognized by the three powers. The establishment by the British and United States Governments of diplomatic relations with the Polish Provisional Government has resulted in the withdrawal of their recognition from the former Polish Government in London, which no longer exists.

"The British and United States Governments have taken measures to protect the interest of the Polish Provisional Government as the recognized Government of the Polish State in the property belonging to the Polish State located in their territories and under their control, whatever the form of this property may be. They have further taken measures to prevent alienation to third parties of such property. All proper facilities will be given to the Polish Provisional Government for the exercise of the ordinary legal remedies for the recovery of any property belonging to the Polish State which may have been wrongfully alienated.

"The three powers are anxious to assist the Polish Provisional Government in facilitating the return to Poland as soon as practicable of all Poles abroad who wish to go, including members of the Polish armed forces and the merchant marine. They expect that those Poles who return home shall be accorded personal and property rights on the same basis as all Polish citizens.

"The three powers note that the Polish Provisional Government in accordance with the decisions of the Crimea Conference has agreed to the holding of free and unfettered elections as soon as possible on the basis of universal suffrage and secret ballot in which all democratic and anti-Nazi parties shall have the right to take part and to put forward candidates, and that representatives of the Allied press shall enjoy full freedom to report to the world upon developments in Poland before and during the elections.

"(b) The following agreement was reached on the western frontier of Poland:

"In conformity with the agreement on Poland reached at the Crimea Conference the three heads of government have sought the opinion of the Polish Provisional Government of National Unity in regard to the accession of territory in the north and west which Poland should receive. The President of the National Council of Poland and members of the Polish Provisional Government of National Unity have been received at the conference and have fully presented their views. The three heads of government reaffirm their opinion that the final delimitation of the western frontier of Poland should await the peace settlement.

"The three heads of government agree that, pending the final determination of Poland's western frontier, the former German territories east of a line running from the Baltic Sea immediately west of Swinemunde, and thence along the Oder River to the confluence of the western Neisse River and along the western Neisse to the Czechoslovak fron-

tier, including that portion of east Prussia not placed under the administration of the Union of Soviet Socialist Republics in accordance with the understanding reached at this conference and including the area of the former Free City of Danzig, shall be under the administration of the Polish state and for such purposes should not be considered as part of the Soviet zone of occupation in Germany."

X. CONCLUSION OF PEACE TREATIES AND ADMISSION TO THE UNITED NATIONS ORGANIZATION

The conference agreed upon the following statement of common policy for establishing, as soon as possible, the conditions of lasting peace after victory in Europe:

"The three governments consider it desirable that the present anomalous position of Italy, Bulgaria, Finland, Hungary, and Rumania should be terminated by the conclusion of peace treaties. They trust that the other interested Allied Governments will share these views.

"For their part the three governments have included the preparation of a peace treaty for Italy as the first among the immediate important tasks to be undertaken by the new Council of Foreign Ministers. Italy was the first of the Axis Powers to break with Germany, to whose defeat she has made a material contribution and has now joined with the Allies in the struggle against Japan. Italy has freed herself from the Fascist regime and is making good progress toward the reestablishment of a democratic government and institutions. The conclusion of such a peace treaty with a recognized and democratic Italian Government will make it possible for the three governments to fulfill their desire to support an application from Italy for membership of the United Nations.

"The three governments have also charged the Council of Foreign Ministers with the task of preparing peace treaties for Bulgaria, Finland, Hungary, and Rumania. The conclusion of peace treaties with recognized democratic governments in these states will also enable the three governments to support applications from them for membership of the United Nations. The three governments agree to examine each separately in the near future, in the light of the conditions then prevailing, the establishment of diplomatic relations with Finland, Rumania, Bulgaria, and Hungary to the extent possible prior to the conclusion of peace treaties with those countries.

"The three Governments have no doubt that in view of the changed conditions resulting from the termination of the war in Europe, representatives of the Allied press will enjoy full freedom to report to the world upon developments in Rumania, Bulgaria, Hungary, and Finland.

"As regards the admission of other states into the United Nations Organization, article 4 of the Charter of the United Nations declares that—

"1. Membership in the United Nations is open to all other peace-loving states who accept the obligations contained in the present Charter and, in the judgment of the organization, are able and willing to carry out these obligations.

"2. The admission of any such state to membership in the United Nations will be effected by a decision of the General Assembly upon the recommendation of the Security Council."

"The three Governments, so far as they are concerned, will support applications for membership from those states which have remained neutral during the war and which fulfill the qualifications set out above.

"The three Governments feel bound, however, to make it clear that they for their part would not favor any application for membership put forward by the present Spanish Government which, having been founded with support of the Axis Powers, does not, in view of its origins, its nature, its rec-

ord, and its close association with the aggressor states, possess the qualifications necessary to justify such membership."

XI. TERRITORIAL TRUSTEESHIPS

The Conference examined a proposal by the Soviet Government concerning trusteeship territories as defined in the decision of the Crimea Conference and in the Charter of the United Nations Organization.

After an exchange of views on this question it was decided that the disposition of any former Italian territories was one to be decided in connection with the preparation of a peace treaty for Italy and that the question of Italian territory would be considered by the September Council of Ministers of Foreign Affairs.

XII. REVISED ALLIED CONTROL COMMISSION PROCEDURE IN RUMANIA, BULGARIA, AND HUNGARY

The three Governments took note that the Soviet representatives on the Allied Control Commissions in Rumania, Bulgaria and Hungary, have communicated to their United Kingdom and United States colleagues, proposals for improving the work of the Control Commission, now that hostilities in Europe have ceased.

The three Governments agree that the revision of the procedures of the Allied Control Commissions in these countries would now be undertaken, taking into account the interests and responsibilities of the three Governments which together presented the terms of armistice to the respective countries, and accepting as a basis the agreed proposal.

XIII. ORDERLY TRANSFERS OF GERMAN POPULATIONS

The Conference reached the following agreement on the removal of Germans from Poland, Czechoslovakia, and Hungary:

The three Governments, having considered the question in all its aspects, recognize that the transfer to Germany of German populations, or elements thereof, remaining in Poland, Czechoslovakia, and Hungary, will have to be undertaken. They agree that any transfers that take place should be effected in an orderly and humane manner.

Since the influx of a large number of Germans into Germany would increase the burden already resting on the occupying authorities, they consider that the Allied Control Council in Germany should in the first instance examine the problem with special regard to the question of the equitable distribution of these Germans among the several zones of occupation. They are accordingly instructing their respective representatives on the Control Council to report to their governments as soon as possible the extent to which such persons have already entered Germany from Poland, Czechoslovakia, and Hungary, and to submit an estimate of the time and rate at which further transfers could be carried out, having regard to the present situation in Germany.

The Czechoslovak Government, the Polish Provisional Government, and the Control Council in Hungary are at the same time being informed of the above, and are being requested meanwhile to suspend further expulsions pending the examination by the Governments concerned of the report from their representatives on the Control Council.

XIV. MILITARY TALKS

During the Conference there were meetings between the Chiefs of Staff of the three Governments on military matters of common interests.

Approved:

J. V. STALIN.
HARRY S. TRUMAN.
C. R. ATTLEE.

Mr. BARKLEY. Mr. President, after that was done it became obvious that it would not be in the interests either of German economy or of European economy or recovery to go through with the

program involved in the first understanding at Berlin. We understand, of course, the attitude and the circumstances surrounding the position assumed by the victorious nations at that time. Germany had inflicted untold injuries upon all the countries in Europe, and they were necessarily laboring under the impetus of victory and smarting under the injury which had been caused by German aggression.

During the period from March 1946 until the fall of 1947, it became obvious that that original program could not be carried out without making the German people and the German economy totally short of self-sufficiency, and without at the same time injuring the recovery program in Europe itself. So that plan was revised.

I have here a statement issued by Gen. Lucius D. Clay, general of the United States Army, and by Marshall Douglas of the British Royal Air Force, and military governor of the United Kingdom zone in Germany, which I think it would be interesting to read. It is very short. It was issued on October 16, 1947, and is as follows:

OCTOBER 16, 1947.

MESSAGE TO THE GERMANS FROM THE BRITISH AND AMERICAN COMMANDERS IN CHIEF

On August 29, 1947, at a joint conference of the world and German press, we announced the adoption of a revised plan for the level of industry in the British and American zones of occupation in Germany. We stated that the list of plants to be made available for reparations under the new plan would be made public without delay. This list has now been completed and is being issued today. It does not contain plants in certain prohibited industries, the future of which is under review.

We have been conscious of the importance of enabling German industries to have the certainty which is the basis of sound planning, and the list now published will clear away the doubts which have previously existed. It contains plants which have already been removed, as well as those which still must go. It includes war plants of the two zones containing equipment suitable for reparations, although a large proportion of these have already been dismantled or destroyed, and also the advanced reparations plants which were made available by the zone commanders in the fall of 1945.

Between the surrender of Germany and the entering into of the original agreement which I mentioned a moment ago, certain advance dismantlings took place in the fall of 1945.

It now names in addition those plants which are not required to support the new level of industry, and which will now be declared to the Allied Control Council as available for reparations to those countries which suffered from the war of aggression.

The surplus capacity has been chosen with great care to insure that a balanced industrial economy, capable of self-support and of making a large contribution to the economic rehabilitation, not only of Germany but also of Europe, is left in Germany. In the selection of plants particular care has been taken to avoid wherever possible the creation of local unemployment.

While the plan must be regarded as a firm one, well-founded suggestions for the substitution of equivalent individual plants will be considered if they are submitted within the next 14 days by the appropriate German economic agencies in the various lander and city states.

The very substantial increase in the bizonal level of industry and the correspond-

ing reduction in the number of plants to be made available for reparations reflect the importance attached by military government to the reestablishment of a viable economy in Germany. Conversely, the fact that it has been necessary to curtail the reparations due to the victims of German aggression makes it imperative that the surplus plant capacity as now determined be made available without delay.

In announcing these decisions, we wish to make it clear that all necessary steps for the speediest possible fulfillment of the program will be taken so that on the one hand German industry may get ahead with its constructive tasks, and on the other hand that the nations receiving reparations of capital plant and equipment may be able to turn these resources to good account during these next few years when the economic recovery of Europe must be expedited by every possible means.

LUCIUS D. CLAY,
General, United States Army, Military Governor, United States Zone.

SHOLTO DOUGLAS,
Marshal of the Royal Air Force, Military Governor, United Kingdom Zone.

With this release by the two commanding officers of the two zones there was also released a list of the plants which would be available for dismantling and for payment of reparations in the two zones. It is too thick a document for me to ask that it be printed, but I have it in my possession if any Senator wishes to see it.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. WHERRY. I had an interview with General Clay after this release, in which the dismantling program was to be revised. It was my information, as I recall, that there were still 380 plants in Germany that were to be dismantled.

Mr. BARKLEY. I shall give the exact figures.

I happened to be in Germany during Christmas week. On the 31st of December last, which was 2 months ago, a letter was addressed to me by the director of the dismantling plan. The day before I had asked General Clay and Ambassador Murphy to give me the facts in regard to the reparations situation and the dismantling of plants in Germany, because there was a good deal of confusion and misunderstanding in the United States, and various statements had been given to the press. I stated that I would like to have the facts as they existed on that day. On the 31st of December, I received a letter from Mr. Wilkinson, the director of the dismantling program and the reparations program. Under the direction of General Clay, Mr. Wilkinson obtained the facts and gave me this letter, which I shall read. I think it contains the information to which the Senator from Nebraska has reference. The letter reads as follows:

DECEMBER 31, 1947.

HON. ALBEN W. BARKLEY,
Care of Military Governor,
Berlin, Germany.

DEAR SENATOR BARKLEY: The following information is presented regarding the reparations program:

OLD LEVEL OF INDUSTRY PLAN—MARCH 1946

In March 1946 the four occupying powers, acting through the Allied Central Authority,

adopted a plan for reparations and the level of postwar German economy. The objectives of the plan were to eliminate Germany's war potential, to provide reparations and yet to leave within Germany the necessary plant and equipment to permit the rebuilding of a visible, peaceful economy.

Experience has shown the necessity for revision of the plan which was based on specific assumptions that have not been fulfilled. Neither the bizonal area nor all of Germany can regain economic health under the plan. Moreover, it has become increasingly apparent that with such limitations Germany could not contribute her indispensable part to the economic rehabilitation of Europe as a whole.

There is attached a copy of the original level-of-industry plan and a list of the plants that were selected under it.

I have that list before me, and I have obtained consent to have the plan printed in the RECORD.

BIZONAL LEVEL OF INDUSTRY PLAN, AUGUST 1947

On August 29, 1947, the revised plan for the level of industry in the United States-United Kingdom zones of Germany was announced, and on October 16, 1947, a list of plants was published under the new bizonal plan. In addition to surplus industrial plants, this list also included war plants (although a large portion of these have already been dismantled or destroyed) of the two zones, containing general-purpose equipment suitable for reparations and the advanced reparations plants which were made available by the zone commanders in the fall of 1945—

To which I have already referred.

There is attached a summary of the plants and part plants listed for reparations from the United States-United Kingdom zones under the revised plan.

VALUATION OF REPARATIONS

Under the March 1946 plan for the level of industry, the plants selected for removal in the United States zone had an estimated value of 385,000,000 reichsmarks. The revised plan has reduced this figure to approximately 240,000,000 reichsmarks, and inventory and evaluation work for the plants listed for the United States zone have been completed. The evaluation of these plants was made under a quadripartite approved formula based on the 1938 reichsmarks replacement value of the equipment in Germany less war damage and depreciation.

The inventory and evaluation work for the plants selected in the British zone has not been completed, but it is believed that the value of the plants will approximate 600,000,000 to 800,000,000 reichsmarks, which would probably be 50 percent of the value of the plants as listed under the 1946 plan. In other words, plants with a value of some 800,000,000 to 1,000,000,000 reichsmarks are scheduled for removal under the new plan, as against the 1946 plan, which, for both zones, would approach 2,000,000,000 reichsmarks.

In other words, the value in reichsmarks under the revised plan reduced the value of the plants from approximately 2,000,000,000 reichsmarks to between 800,000,000 and 1,000,000,000 reichsmarks.

I read further:

DISMANTLING

Out of the 105 category I war plants in the United States zone which contain reparations equipment, 81 have been completely dismantled and work is in progress on the remaining 24 plants. Ten of the advance delivery plants have been completely dismantled and work is being performed on the two remaining.

The schedule for completion of dismantling of all of the 186 plants in the United

States zone listed under the new plan provides that 70 percent of the dismantling will be completed by March 31, 1948, with the dismantling of the remaining plants to be completed before the end of the year 1948.

In other words, of the total of 662 plants left under the revised plan to be dismantled, 186 of them are in the American zone, and 70 percent of them were to be completely dismantled by the end of March, and the other 30 percent during the remainder of 1948.

I read further:

Out of the 476 plants made available from the United Kingdom zone which include the plants originally selected as advance delivery category I war plants and the other plants, approximately 70 of these plants have been dismantled, and work is being performed on 123 other plants.

It is estimated that dismantling work will be completed in the United Kingdom zone during the latter part of 1949 or the early part of 1950.

It seems to me, Mr. President, that in both cases 70 percent of the dismantling provided for under the revised plan had been accomplished at the time when this letter was written—the 31st of December—or would be accomplished during the month of March.

I read further:

ALLOCATION OF PLANTS

Under the Potsdam agreement, 25 percent of the reparation equipment from the three western zones is allocated to the U. S. S. R. and Poland, and 75 percent to the western nations, as represented by the Inter-Allied Reparation Agency at Brussels.

Mr. WHERRY. Mr. President, will the Senator repeat that statement as to Russia?

Mr. BARKLEY. Twenty-five percent of the reparations to be taken from Germany were to go to Russia and Poland; but the agreement did not state the proportion to go to either Russia or Poland. That was left to be determined by agreement between Russia and Poland.

I read further:

Since the Inter-Allied Reparation Agency must suballocate its share to the member nations and this has taken considerable time, deliveries to the western nations have lagged behind those to the Union of Soviet Socialist Republics, where no suballocation was necessary.

Of course, it was simpler to carry out the allocation of the 25 percent to Russia and Poland than the 75 percent to the other 16 nations which were to be the beneficiaries of this reparations program.

I read further:

As a result, 95 percent of the equipment already allocated to the Union of Soviet Socialist Republics and Poland has already been delivered, and the balance will be shipped within a few weeks.

As a matter of policy, no deliveries will be made to the Union of Soviet Socialist Republics and Poland of any future allocations of plants on the reparations list until the problem of economic unification of Germany is solved.

That letter was signed by Mr. L. Wilkinson, director of the reparations and dismantling program. I ask that the entire letter be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

DECEMBER 31, 1947.

HON. ALBEN W. BARKLEY,
Care of Military Governor,
Berlin, Germany.

DEAR SENATOR BARKLEY: The following information is presented regarding the reparations program:

OLD LEVEL OF INDUSTRY PLAN—MARCH 1946

In March 1946 the four occupying powers, acting through the Allied Control Authority, adopted a plan for reparations and the level of postwar Germany economy. The objectives of the plan were to eliminate Germany's war potential, to provide reparations and yet to leave within Germany the necessary plant and equipment to permit the rebuilding of a viable peaceful economy.

Experience has shown the necessity for revision of the plan which was based on specific assumptions that have not been fulfilled. Neither the bizonal area nor all of Germany can regain economic health under the plan. Moreover, it has become increasingly apparent that with such limitations Germany could not contribute her indispensable part to the economic rehabilitation of Europe as a whole.

There is attached a copy of the original level of industry plan and a list of the plants that were selected under it.

BIZONAL LEVEL OF INDUSTRY PLAN—AUGUST 1947

On August 29, 1947, the revised plan for the level of industry in the United States-United Kingdom zones of Germany was announced and on October 16, 1947, a list of plants was published under the new bizonal plan. In addition to surplus industrial plants, this list also included war plants (although a large portion of these have already been dismantled or destroyed) of the two zones, containing general-purpose equipment suitable for reparations, and the advance reparations plants which were made available by the zone commanders in the fall of 1945.

There is attached a summary of the plants and part plants listed for reparations from the United States-United Kingdom zones under the revised plan.

VALUATION OF REPARATIONS

Under the March 1946 plan for the level of industry, the plants selected for removal in the United States zone had an estimated value of 385,000,000 reichsmarks. The revised plan has reduced this figure to approximately 240,000,000 reichsmarks, and inventory and evaluation work for the plants listed for the United States zone have been completed. The evaluation of those plants was made under a quadripartite approved formula based on the 1938 reichsmarks replacement value of the equipment in Germany, less war damage and depreciation.

The inventory and evaluation work for the plants selected in the British zone has not been completed, but it is believed that the value of the plants will approximate six hundred to eight hundred million reichsmarks, which would probably be 50 percent of the value of the plants as listed under the 1946 plan. In other words, plants with a value of some 800,000,000 to 1,000,000,000 reichsmarks are scheduled for removal under the new plan as against the 1946 plan, which, for both zones, would approach 2,000,000,000 reichsmarks.

DISMANTLING

Out of the 105 category I war plants in the United States zone which contain reparations equipment, 81 have been completely dismantled, and work is in progress on the remaining 24 plants. Ten of the advance delivery plants have been completely dismantled, and work is being performed on the two remaining.

The schedule for completion of dismantling of all of the 186 plants in the United States zone listed under the new plan, provides that 70 percent of the dismantling will be completed by March 31, 1948, with the dismantling of the remaining plants to be completed before the end of the year 1948.

Out of the 476 plants made available from the United Kingdom zone which include the plants originally selected as advance delivery category I war plants and the other plants, approximately 70 of these plants have been dismantled, and work is being performed on 123 other plants.

It is estimated that dismantling work will be completed in the United Kingdom zone during the latter part of 1949 or the early part of 1950.

ALLOCATION OF PLANTS

Under the Potsdam agreement, 25 percent of the reparation equipment from the three western zones is allocated to the U. S. S. R. and Poland, and 75 percent to the western nations, as represented by the Inter-Allied Reparation Agency at Brussels. Since the Inter-Allied Reparation Agency must suballocate its share to the member nations, and this has taken considerable time, deliveries to the western nations have lagged behind those to the U. S. S. R., where no suballocation was necessary. As a result, 95 percent of the equipment already allocated to the U. S. S. R. and Poland has already been delivered, and the balance will be shipped within a few weeks.

As a matter of policy, no deliveries will be made to the U. S. S. R. and Poland of any future allocations of plants on the reparations list, until the problem of economic unification of Germany is solved.

L. WILKINSON,
Director.

(Three inclosures: Inclosure 1, old plan; inclosure 2, list of plants under old plan; inclosure 3, new plan—list of plants.)

Mr. WHERRY. Mr. President, the conversation I had with General Clay took place after this letter was written. I refer to the letter the Senator from Kentucky now has placed in the RECORD. To attempt to harmonize the figures, as I recall the answer to my question to him, it was stated that there were, in all—not only in the American zone and the United Kingdom zone, but also the French zone—380 plants which were to be dismantled, at the time I talked to him, in keeping with the new revised list which the minority leader has just presented for the RECORD.

According to the figures submitted, there would be 123 plants yet to be dismantled, to go from the United Kingdom zone, and 55 out of the American zone, if I correctly recall the figures; and to them should be added the plants which should go to France, I suppose, not including those to go to Russia and Poland.

So to a great extent that letter almost bears out the figures he gave me.

Mr. BARKLEY. The Senator saw General Clay early in February, I believe.

Mr. WHERRY. That is correct.

Mr. BARKLEY. And this letter was written on December 31. There is no disagreement as to the total number.

Mr. WHERRY. I think not. I agree that there is not.

Mr. BARKLEY. The total in the British and American zones is 662.

Mr. WHERRY. That is correct.

Mr. BARKLEY. And of them, 186 were in the American zone.

Mr. WHERRY. That is correct.

Mr. BARKLEY. And 476 were in the British zone.

Mr. WHERRY. Yes, and 70 percent of that number had been dismantled.

Mr. BARKLEY. Yes.

Mr. WHERRY. Or at least their dismantling had been begun.

So it still leaves 123 in the British zone and 55 in the American zone which had not been touched at the time when that letter was written.

Mr. BARKLEY. They had not been at that time; yes.

Mr. WHERRY. I wish to ask the Senator a question, and once again I desire to point out something which I have read in the report of the House Committee on Foreign Aid. This was set forth in detail, and they recommended as late as the beginning of this month that no further dismantling be made until we decide what we shall do under this foreign-aid program. I think that is a good recommendation.

So in view of the allocations of steel which are to bring the production of France and the United Kingdom up to certain levels, and in view of the fact that last year France obtained 90 percent of its production on the basis of the 1938 level, would it not be possible to discontinue the dismantling of these plants, or else figure them in the allocations of steel going to the recipient countries, so that under the foreign-aid program we shall start with the allocations of new steel predicated upon the continuance of the dismantling, or else have no dismantling until we know what the industry level is going to be?

It seems to me that to pull Germany down and to build France up to a level that goes far beyond the prewar level of 1938 is one thing, but in addition to that, more than 50 percent of the allocations of steel under the foreign-aid bill goes to Great Britain and France. Are we to seek to build up those two countries to a level far beyond the 1938 level by adding to the reparations program and by insisting upon the additional allocation of steel, which today is so scarce in this country? I submit to the distinguished Senator, who is on the committee, this proposition: Would the Senator accept an amendment to the pending bill providing that no further dismantling shall be done under the leveling-off agreements until after there has been a determination of ERP legislation which the Senate is now considering?

Mr. BARKLEY. I have no authority to accept or reject an amendment, but I would not favor that sort of amendment if the Senator asks me for my own view.

Mr. WHERRY. Yes; that is what I was asking for.

Mr. BARKLEY. I did not rise to get into any argument over the merits of whether any given plant in Germany should be dismantled and sent into one of the allied countries under an agreement for reparations.

Mr. WHERRY. I appreciate that.

Mr. BARKLEY. I wanted to dissipate the confusion as to the number of plants subject to being dismantled under the revised program. It is about one-third

of those originally designed to be dismantled.

Mr. WHERRY. I think that is correct.

Mr. BARKLEY. I refer to the action of the Allied control, especially within recent months. I would have to exclude Russia from that because they have not cooperated, not having been particularly impressed with the need for reconstructing the economy of Germany. They had to consider, of course, how many plants had been built in Germany during the increase of industrial activity for war purposes, and how many of those plants were absolutely necessary for the peacetime economy of Germany, obliterating any idea of war or war preparation. I think that they have shown their wisdom in revising the original plan, which was probably made in the vindictive atmosphere of war victory, so that approximately one-third of the plants originally intended for dismantling have now been settled on as the number which should be subject to some further revision as they review the situation.

We have an agreement with other nations in regard to the matter. We cannot unilaterally decide that France or Belgium or Holland or Luxemburg or Norway or Denmark is not entitled to reparations. We agreed that 75 percent of the dismantled plants and their equipment should go to the western allies, 25 percent to Russia. Due to the simplicity of the Russian situation they have gotten a larger proportion of their reparations than have the other countries, but I could not take the position that we can ourselves violate an agreement which we have made in connection with the distribution of the equipment. I may say, however, that if they get all of that which is intended for them under the reparations agreement, certainly the Administrator would be authorized to take that into consideration in determining how much more of the same sort of equipment they should receive under the program we are now considering.

Mr. WHERRY and other Senators addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Kentucky yield; and if so, to whom?

Mr. BARKLEY. I am still yielding to the Senator from Nebraska. I will yield to other Senators in a moment.

Mr. WHERRY. I want to thank the minority leader for his explanation and for the facts he has contributed. I think his statement is highly beneficial.

Mr. BARKLEY. I thank the Senator.

Mr. WHERRY. My feeling is we are making this agreement with the very countries that are taking the reparations.

Mr. EASTLAND. Mr. President, will the Senator from Nebraska yield?

Mr. WHERRY. I do not have the floor.

The PRESIDING OFFICER. The Senator from Kentucky has the floor.

Mr. BARKLEY. I yield.

Mr. EASTLAND. The Senator speaks of the agreement. Who has authority to speak for the United States?

Mr. WHERRY. What I am saying is that in the new legislation now proposed

16 participating countries are to become recipients of its benefits. Those countries are ones of which the Senator from Kentucky has been talking in connection with reparations and what they are entitled to. I humbly submit to the distinguished minority leader that the reparations that these countries are to obtain through the dismantling of German plants should be taken into consideration in connection with rebuilding those countries under the reconstruction program. Since bringing this question to the attention of the Senate recently I have read the recommendations of the group in the House that further dismantling be discontinued until complete revision is made and until the matter is reconsidered in the light of the pending legislation.

Mr. BARKLEY. Of course, that involves an arbitrary unilateral violation on our part of an agreement we entered into. The question may be raised as to who entered into the agreement. There had to be some arrangement made immediately after the surrender of Germany in regard to the occupation of Germany and what should be done. Everyone agreed that Germany should be disarmed, that her war plants should be destroyed, that whatever equipment might be in those war plants, or in a second category, that would be useful for peacetime purposes, should be transported to the Allied Nations. That agreement was entered into by all sides. Of course, it was not in the form of a treaty which would have to be ratified by the Senate, but it was a wartime agreement, which is customary in determining the question of occupation of a conquered country. That was the Berlin agreement, entered into and signed by Stalin, Truman, and Attlee, which I sent to the desk for printing.

Mr. WHERRY. That is the so-called Potsdam agreement, is it not?

Mr. BARKLEY. No; it was the Berlin agreement. There was a consultation at Potsdam, but the agreement was made in Berlin.

Mr. WHERRY. That is the so-called Potsdam agreement?

Mr. BARKLEY. It is the so-called Potsdam agreement.

Mr. WATKINS and other Senators addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Kentucky yield; and if so, to whom?

Mr. BARKLEY. I do not want to monopolize the floor by discussions with the Senator from Nebraska. I yield to the Senator from Utah [Mr. WATKINS].

Mr. WATKINS. Mr. President, I wanted to ask the Senator from Kentucky a question. He has spoken a number of times of agreements. Does the Foreign Relations Committee have the number of agreements which have been entered into with respect to reparations in Germany?

Mr. BARKLEY. I do not know whether the committee has that information or not.

Mr. WATKINS. Has the committee ever investigated the number?

Mr. BARKLEY. There may be information filed with the Foreign Rela-

tions Committee. It is not a part of the hearings on the pending measure, as I recall. I am not certain whether a complete list is in the committee's possession.

Mr. WATKINS. I am seeking information. I have heard the agreements referred to from time to time. The statement is continually made that we cannot break any agreements which have been made. It seems to me the Senate of the United States ought to have information as to how many agreements there are, what they are, and what they contain. We have never yet had them.

Mr. BARKLEY. There were various agreements made, first at Yalta, then at Tehran, and then at Potsdam. The so-called Potsdam agreement, the one referred to here, is the Berlin protocol. Potsdam is just outside Berlin.

Mr. WATKINS. Is it the same agreement, by whatever name?

Mr. BARKLEY. It is the same one, whatever the name, yes. It is the only agreement entered into by Stalin, Truman, and Attlee, because I think that is the only conference that President Truman has attended at which Stalin and Attlee were present.

Mr. WATKINS. The Senator has referred, or there was a reference by a general, to subsequent changes in the plans. Who made those changes?

Mr. BARKLEY. Those changes were made by the Inter-Allied Control in Germany.

Mr. WATKINS. By what authority?

Mr. BARKLEY. By the authority of each agency. General Clay had the authority of his Government to enter into negotiations with the other members of the Allied Control Commission, to determine what should take place in relation to the original agreement about the dismantling of some 1,800 or 1,900 plants.

Mr. WATKINS. Were those agreements reduced to writing?

Mr. BARKLEY. I presume so.

Mr. WATKINS. Does the Senator think we could obtain a list of them?

Mr. BARKLEY. I imagine we could.

Mr. WATKINS. And a copy of each of them?

Mr. BARKLEY. I imagine we could.

Mr. LANGER. Mr. President, I may say to the Senator that on March 4, at page 2173 of the RECORD, I submitted for appropriate reference a resolution calling for a compilation of international commitments or agreements, of which I understand there are about 20,000. It has been impossible to get a list of them.

Mr. BARKLEY. Oh, there are not 20,000 of them.

Mr. WATKINS. I wrote a letter to the Secretary of State not more than 10 days ago in an effort to obtain a list of them and to find out something about them. I have not even had a reply. I thought possibly the Senator from Kentucky could enlighten us.

Mr. BARKLEY. I do not remember all the agreements. I have not seen all the agreements, but there were four or five general agreements, one at Yalta, before the war ended, one at Tehran, and one at Potsdam or Berlin. There was one at Paris involving the question

of reparations. There have been various conferences in Paris, London, Berlin, Moscow, Yalta, Tehran, and so forth.

Mr. WATKINS. Are they what might be called executive agreements?

Mr. BARKLEY. They are military agreements made in consequence of occupation of conquered territory. The authority of the respective governments was required. I cannot tell the Senator specifically, because I have not seen the letters of commitment.

Mr. WATKINS. What bothers me in connection with the question is that one of the things which could not be agreed on was the matter of reparations.

Mr. BARKLEY. That is in regard to the treaty.

Mr. WATKINS. I understand. But they have been proceeding with reparations and making one agreement after another.

Mr. BARKLEY. There had to be an arrangement made following the conquest of Germany in order to dispose of war plants, and, in some way or other, to work out the situation involving reparations. Those who met on the subject had to decide whether they would undertake to pay reparations out of capital stock, capital investment in equipment, or out of current production. Inasmuch as Germany was not engaged in any current production, there was no possibility of using production as a basis, unless we were to pay the money out of the Treasury ourselves, which we did not see fit to do. So it was decided to pay reparations so far as possible out of capital investment in equipment in Germany.

Mr. WATKINS. Does the Senator think the committee can get for the Senate a list of the agreements involved and copies of them with regard to the whole problem?

Mr. BARKLEY. I suppose that the Committee on Foreign Relations could obtain any information which is available. I have not seen the documents myself.

Mr. WATKINS. I imagine the Senate would like to see those agreements. They have been referred to many times.

Mr. BARKLEY. It would be a futile thing to try to get the details of every agreement which has been entered into or to try to get the conversations between General Clay and the commanders in the different zones, but I have no doubt that the major agreements entered into can be obtained. So far as I am concerned, I shall be very glad to try to obtain them.

Mr. WATKINS. I shall appreciate the assistance of the Senator from Kentucky, because I have been unable to receive replies to my letters on the subject.

Mr. EASTLAND. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield to the Senator from Mississippi.

Mr. EASTLAND. As I understand, the dismantling program of which the Senator from Kentucky speaks, will, when it is concluded, leave Germany a production equal to that of 1936. Is that correct?

Mr. BARKLEY. That is correct. The level was revised upward so as to give

Germany the level of production which she enjoyed approximately at a time when she was not stepping up production in contemplation of war. In other words, it was a normal production.

Mr. EASTLAND. Today western Germany has 17,000,000 more inhabitants than she had in 1936. So if she is to be held at a production level equal to that of 1936, the standard of living will be much lower than it was.

Mr. BARKLEY. It is a minimum production level. It shall not be less than that of 1936. I am not sure that the Senator is correct as to the number of inhabitants in the part of Germany now known as the trizonal region, namely, British, American, and French Germany. I imagine it takes into consideration displaced persons who have come from other parts of Europe. The figure given by the Senator is probably not far out of line. It is stipulated in the document which has been filed here that arrangements shall be made so that Germany may contribute to the recovery of Europe.

Mr. EASTLAND. The Government departments give out those statements. I know that whatever the Senator says is in absolute good faith, but I have talked to a former property custodian in the American zone in Germany, who was outraged because of the fact that in an area where little children were dying from diseases caused by dirt and their inability to keep clean, there was dismantling of a soap factory there in spite of the fact that not a single allied country had requested the factory or its machinery.

Mr. BARKLEY. Certainly there is more than one soap factory in Germany. We were originally told that soap factories could not be used for war purposes. As a matter of fact, we know that soap factories in Germany were being used to manufacture glycerine, which is a very important war material. I have put the report into the RECORD. Whether the figures are accurate, I do not know; but persons on the ground have made a survey, and I think every Senator will concede that General Clay is a man of integrity—

Mr. EASTLAND. But these things are below General Clay.

Mr. BARKLEY. The report states that there are many factories in Germany, more than she needs either for her own economy or for contribution to the world, whether they be war plants or not. It is claimed that some of the products of the plants cannot be sold in Germany and cannot be exported from Germany, and, therefore, such plants are suitable for reparations in payment for damage done to other nations.

Mr. BROOKS. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield to the Senator from Illinois?

Mr. BROOKS. I should like to make an observation. When these agreements were made involving the level of industry to which we would allow western Germany to rise, we did not know we would be met with the need of feeding Germans in our zone. Now we are confronted with that proposition. Part of the British loan went to feed the Ger-

mans in the British zone. We are paying reparations to that extent.

We shall have to finance the French. They will use some of the money in their zone. There are millions more Germans in Germany than there were before the war. Their breadbasket has gone. If we allow them to come back only to the level of 1936 they still cannot meet their obligation and will not get off the backs of the American people.

I desire to make one further observation. We shall make agreements, and when we try to bring about a change in policy because other nations have not done what they said they would do, that is the time to say to them, "You have not lived up to your full promises." The Senator knows, because of his visits and contacts, that we have a much greater problem in western Germany to rebuild western Germany and let the Germans feed themselves than we ever thought we would have at the end of the war. There is a shortage of manpower, and it almost indicates insanity to use that manpower to tear down plants at a time when manpower is needed in other parts of Germany in order to enable her to get off the backs of the American people.

Mr. BARKLEY. I agree with much the Senator has said. As an occupying power we did not contemplate anything comparable to the obligation we have been compelled to accept. We did not contemplate that we would have to contribute to the support of the British zone. We did not contemplate that Russia would refuse to enter into any agreement to cooperate with any of the Allied agencies. The very agreement to which I have referred was based upon the economic unity of all Germany, to which Russia agreed, but Russia has not cooperated to bring about such unity. Many things have happened which we did not contemplate. Whether the level be that of 1936 or 1938 or some other level, I think we must work toward the rehabilitation of Germany so that the German people can be self-sustaining within their own boundaries and, at the same time, make all contributions possible to the recovery of her neighbors in Europe. In that connection it should be stated that Germany never was self-sustaining, so far as food was concerned, even before the war.

Mr. BROOKS. That is correct.

Mr. BARKLEY. When all Germany was intact and Russia had none of it, Germany had to import quite a large percentage of her food in order that the German people might be fed comfortably, because Germany was essentially an industrial nation, not an agricultural nation primarily; although that part of Germany which is now in Russian hands was the breadbasket of Germany, so far as they had one was concerned.

Mr. BROOKS. Let me make one further observation. There has been a change in conditions, such a drastic change that we are asked now to approve another 4-year program. So why can we not take this program and revise it and say, "Hold it for the present." But there is always resistance when we try to change something that was done before, and if we are not careful, we are going to pile one mistake on another.

Mr. BARKLEY. It is not resistance. The Allied nations themselves have changed their own programs, as I have indicated.

Mr. LODGE. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield to the Senator from Massachusetts.

Mr. LODGE. I think it might be of interest to make a few observations from the record on this subject, if the Senator will permit me to do so, because I think they will shed a little light on the discussion.

First, I take it we are all agreed that we are opposed to dismantling the plants in Germany and sending them to Russia.

Mr. BARKLEY. That question is not before us, because that process has ceased.

Mr. LODGE. So that we can clear the air to that extent.

Mr. WHERRY. It has not ceased completely, because the report says there are still being shipped to Russia parts of plants which it was agreed should be dismantled.

Mr. BARKLEY. That is merely carrying out what was agreed to. There are no more allocations.

Mr. LODGE. So that we can all agree that the Russian phase of this matter is not in dispute.

Now we come to the question of dismantling plants and sending them to other nations in western Europe, and I think the record shows that a very strong argument can be made for the statement that to dismantle those plants and send them to western territory is in the interest of the United States.

In connection with the remarks the Senator from Nebraska made, let me observe that the removal of those plants from Germany was taken into account in determining the amount of money which should be allocated to these various countries. On page 40 of the report the statement is made:

Certain industrial capacity scheduled for removal from Germany is required by some of the participating countries in order to reach their production targets.

Often in this discussion the argument has been made that the only nation we have to support and assist financially in Europe is Germany. The fact is that all these countries are dependent on us in varying degrees. So our interest is not simply confined to the reconstruction of Germany.

Now I wish to quote Secretary Royall, as his testimony appears on page 456 of the record.

Mr. BARKLEY. If the Senator will permit me there, what he has quoted from the report confirms my reply to the Senator from Nebraska a while ago that account should be taken of the materials we are discussing in determining how much should go to the beneficiary nations, and account has been taken of that in determining these figures.

Mr. WHERRY. Mr. President, will the Senator from Kentucky yield?

Mr. BARKLEY. I yield.

Mr. WHERRY. A report was issued on March 3, or about that time, within the past few days, showing that an exhaustive investigation of the dismantling

of the plants had been made. The report recommends what should be figured into the allocations of steel, but apparently there is a feeling that that has not been done, and there is a suggestion that a revision be made and the dismantling be held up until it can be seen whether or not it can be figured into this program.

Mr. LODGE. Mr. President, will the Senator from Kentucky yield a moment longer?

Mr. BARKLEY. I yield.

Mr. LODGE. It certainly is my understanding that the assets which these 16 nations were to get in the form of dismantled plants from Germany were taken into account in figuring their production targets.

We have the testimony of Secretary Royall, as it appears on page 456 of the hearings, that—

These plants that are now declared excess * * * could not be placed in operation, probably, in Germany within the next 4 or 5 years. * * *

I think that is an important consideration. He said further:

As to the plants which have been marked for dismantling, that is a definite list now, and there is no element of uncertainty, unless it is changed. We feel that those plants can be dismantled and removed without any adverse effect on the present German economy, or the German economy over a 4- or 5-year period.

Then he said:

Another factor, Senator, is that Germany, its transportation, its raw materials, and its other conditions, has a limiting consideration as to its ability to manufacture.

In other words, many of these plants are of greater use in the general European economy if they are in western European countries, where they are close to the raw materials and close to transportation, than if they were in Germany.

Mr. WHERRY. Will the Senator permit a question?

Mr. LODGE. Certainly.

Mr. WHERRY. Would the Senator from Massachusetts state that there are no allocations, either in the bill or in the direct relief going to Germany, which provide for steel that will rebuild the German economy?

Mr. LODGE. No steel is to be sent to Germany, according to my understanding.

Mr. WHERRY. Not any?

Mr. LODGE. That is my understanding. I shall have to verify it, but my quick response to the Senator is that no steel at all is to go to Germany under this program.

I have one more excerpt I should like to read, from a document printed on page 504 of part 1 of the hearings, and which I commend to Senators interested in this problem, because it has in it a great number of questions on the subject of dismantled plants, and answers them in great detail. I quote this part:

Possible contribution of removed plants to German and European reconstruction: While full information is not available, it is known that a large proportion of the plants and equipment already removed from Germany are now in operation in the recipient countries, and are contributing to their reconstruction. Of particular importance has

been the receipt from Germany of critical types of machines, not procurable elsewhere within less than 2 or 3 years, which have served to break industrial bottlenecks, and have thus resulted in increases in output throughout an entire segment of industry.

French De la Haye automobiles shown in 1947, for example, were equipped with crankshafts produced with German reparation equipment, procurement of which through commercial channels would have required at least 2 years. German equipment has permitted a significant increase in output of heavy steel castings for shipbuilding in the United Kingdom, and has helped to break bottlenecks throughout the entire British steel industry.

The Netherlands Government has estimated that one group of 320 machines from Germany will result in increased industrial production during 1948 worth about \$400,000; and that optical machinery from the German Hensoldt plant, used to replace equipment looted by the Germans, will afford the basis for an increase in production of about \$100,000 during 1948. A number of similar examples could be cited.

In other words, what is taking place, in many respects, at least, is a process which is of advantage to the United States from an economic standpoint, and this does not even raise the question of the agreements which we have made on the subject of dismantling plants.

Mr. BARKLEY. Mr. President, I yield the floor at this time. I have taken more time than I had intended.

Mr. BROOKS. Mr. President, I send to the desk two amendments to be printed and lie on the table. They have to do with section 8 and section 9 of the bill.

The first amendment provides that instead of creating a roving ambassador, the bill shall provide for an agent general for the Administrator to supervise the program. Many of us have been arguing that the State Department and the military are not equipped or qualified to handle such a vast program, and to bring about the results which the American people expect the program to bring about, when it is called an economic recovery program.

We have provided for an Administrator on this side of the water. The bill provides for missions in each country, but in rank and authority they are to be under the Embassy in each country. They are to be supervised by a roving ambassador, who shall constantly be keeping them informed of his activities, and not the activities or desires of the Administrator.

In my judgment, unless we provide for a business overseer and manager, we are merely giving lip service to business management and we are fooling the American people, pretending to change our course by encouraging some constructive activity on the part of business brains, which might be helpful in restoring Europe to its feet.

Mr. LANGER obtained the floor.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. BREWSTER. Mr. President, I have today received from W. C. Hushing, chairman of the national legislative committee of the American Federation of Labor, a letter dealing with the proposed chartering of 300 American ships

to foreign registry under the European recovery program presented in Senate bill 2202. He indicates that any use of the telegram of the American Federation of Labor approving the European recovery program in Senate bill 2202 is not to be construed as indicating the Federation's sympathy with this proposal, which they opposed before the Senate Committee on Foreign Relations, and to the inclusion of which in the bill they have registered their very strong opposition. I ask unanimous consent that Mr. Hushing's letter to me, together with the telegram from William Green to the Senator from Michigan [Mr. VANDENBERG], be printed at this point in the RECORD as a part of my remarks.

There being no objection, the letter and telegram were ordered to be printed in the RECORD, as follows:

AMERICAN FEDERATION OF LABOR,
Washington, D. C., March 8, 1948.
Hon. OWEN BREWSTER,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR: This morning I called one of your secretaries and advised her that we were wholeheartedly behind your amendment to S. 2202, the European recovery bill, which eliminates from the bill, on page 16, paragraph 4, which as reported permits the leasing of 300 merchant vessels owned by the United States to beneficiary nations under the bill.

Our maritime organizations appeared before the Committee on Foreign Relations of the Senate and opposed the gift or chartering of our merchant marine vessels to beneficiary nations under the bill and were of the impression that their prayer would be granted. However, the above-mentioned paragraph, on page 16, which, in part, meets their views and the views of the American Federation of Labor, does permit the leasing of 300 merchant vessels.

On March 4, President Green sent the attached telegram to Senator VANDENBERG, chairman of the Senate Committee on Foreign Relations, and also to Chairman EATON of the House Committee on Foreign Affairs. This telegram is being improperly used by putting your amendment in the category of crippling amendments.

I, therefore, am advising you, at the suggestion of President Green, that we fully support your amendment eliminating the chartering of the 300 dry-cargo merchant vessels owned by the United States to the foreign nations beneficiary under the act, and I am furnishing you this letter so that our attitude may be fully known.

With best wishes, I am,

Sincerely yours,

W. C. HUSHING,
Chairman, National Legislative
Committee.

President William Green, of the American Federation of Labor, today sent the following telegram to Senator ARTHUR H. VANDENBERG, chairman of the Senate Committee on Foreign Relations, and Representative CHARLES A. EATON, chairman of the House Committee on Foreign Affairs:

"The American Federation of Labor has been a leading advocate of speedy enactment of European relief program adequate to meet the needs of reconstruction of the democratic nations of Europe. We strongly urge that separate treatment be accorded to aid to China, Greece, Turkey, and to other necessary aid abroad. European recovery program has reached present formulation after months of searching study and patient effort. There is no justification for further delay, nor must there be congressional acceptance of a cut

in the amount of the program. Any reduction in the funds to be made available under the Marshall plan will impair the confidence of the free peoples of Europe in the good faith of the United States and imperil the program itself. At this critical hour it is of paramount importance that the aid be provided in full so that the recovery of European nations may be the result of the concerted effort of the countries concerned unifying their economies in achieving recovery and reconstruction. We strongly urge the approval of S. 2202 without crippling amendments and press for simultaneous consideration of the program by the House of Representatives."

Mr. KNOWLAND. Mr. President, will the Senator from North Dakota yield to me?

Mr. LANGER. I yield.

Mr. KNOWLAND. Mr. President, I ask unanimous consent to have printed in the body of the RECORD, because it pertains to the particular subject under discussion, an editorial entitled "Electioneering in Italy," published in the Washington (D. C.) Post of this morning. I want to call to the attention of the Senate this very able editorial published in the Post, which sets forth that the Communists in Italy are trying to make the point that even though they may win the elections in April, they will still continue to receive aid from us. I think if they are working under any such misconception they should change it now, because I feel reasonably well satisfied that if the Government of Italy becomes communistic in the elections of April, the Administrator will have a clear obligation to cut off aid to that country.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

ELECTIONEERING IN ITALY

It is the tactics of counteraction to Soviet aggression that will count in the great west-Russian grapple. And tactics involve priorities—priorities which should be determined by the limitations of American resources, the significance of menaced situations, and the time table. Use of influence in the right place at the right time is axiomatic. Looking over the world today, this newspaper feels that Italy, key to the Mediterranean, is the live front in the cold war. Italy is locked in an electoral struggle, and international communism is concentrating upon it. All reports that come to this office conclude on the grim note that the communized popular front, after having been on the defensive till a couple of months ago, may triumph when the Italians go to the polls on April 18. The De Gasperi government has not been able to match the aggressiveness that Communist leader Togliatti, backed by Moscow, has imparted into his campaign.

Time must be taken out of the present preoccupation with our own election to cope with the threat to the free world in Italy. April comes before November, and what happens in Italy in April is of the highest consequence to all fighters for liberty, particularly Americans. Without a doubt the consequences of a Togliatti victory in Italy would be reflected in our nominations and in our own election. How could it be otherwise? A Togliatti victory would mean that the Italians by their own volition had dragged the iron curtain to the west and opened their country to Moscow's rule. The implications of any such revolution should be well pondered. Not only would the Mediterranean be severed; the map of Europe would be

changed. And in present circumstances this would mean a dagger into the heart of Marshall Europe while it is aborning.

This country simply cannot afford to lose Italy. Nor can Italy afford to lose America. But it will be too late to do anything about a Communist victory after the event. To be sure, such a victory in present circumstances would be a demonstration of what Professor Namier calls Caesarian democracy. But that explanation would not justify action in the eyes of the American people. There would be no disposition to come to the aid of a people who had simply exchanged black for red slavery. This, it seems to us, should be made known to the Italian people. It should be a contribution to the electioneering that this country should embark upon in Italy—to let them know exactly where we stand, so that no illusions are entertained by the voting population.

Of course, there is need also to show Italy that our policy is still sympathetic with Italy's desire to return to the family of nations with self-respect. This newspaper opposed the ratification of the peace treaty with Italy both because of the changed world situation and because certain clauses were, in our opinion, unjust. The administration chose the path of ratification. At the same time enough evidence of good will has been shown in the amelioration of the treaty provisions. Italy's case for admission to the United Nations has been pressed over Soviet opposition. Italy's colonial aspirations have had sympathetic attention. These matters, along with the unsettled question of Trieste, should be reviewed for the Italian people, and reopened in the Security Council. Congress and the Latin-American nations could help by some action to relieve the pressure of population caused by the piling up of unused quotas. But, over and above all, there must be left with the Italian people the plain reminder that a Soviet-dictated vote against the Marshall plan—which would be what a vote for Togliatti would amount to—would mean a sacrifice of the benefits of the Marshall plan. For Togliatti's apparent headway seems to be due not only to his new patriotic pose but also to his assurances that the Italian people would get the same aid from America no matter how they voted.

Mr. MYERS. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. MYERS. Mr. President. I recently received a communication signed by Mr. William L. Batt, chairman of the Philadelphia Committee for the Marshall Plan To Aid European Recovery. To that plan was attached a resolution, which was adopted by the committee, and I ask unanimous consent that the resolution may be printed at this point in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

The Philadelphia Committee for the Marshall Plan To Aid European Recovery recognizes in the world situation today that a special responsibility is imposed on all Americans because: (1) Democratic peoples on every hand now look to us for help in their preservation; and (2) the economic collapse which confronts the world will, if it occurs, have a serious and far-reaching effect on us; and recommends, therefore, that the Congress support a program based upon:

(1) Acceptance by Europe of responsibility to initiate self-help in a sustained and co-operative manner, including resolute efforts to seek difficult but attainable goals, both in industrial and in agricultural production as well as sound currencies—goals which, if attained, will constitute true recovery;

(2) Continued comprehensive and realistic analyses of European needs and American resources;

(3) Prompt and adequate provision of enough goods and credits to make up as far as possible the remaining European deficit; and further recommends to the American people the wholehearted acceptance of the program which Congress deems appropriate so that Europe may be inspired to face its difficult task in the confident expectation of a sympathetic and understanding America.

Mr. LANGER. Mr. President, in view of the statement made by the distinguished Senator from Massachusetts [Mr. LODGE] that there is no steel provided for in the bill, I will say that I have here a confidential report from the Federal Power Commission, which I shall make available to him, which shows exactly how much steel, cast iron, cement, lime, gypsum products, tile, roofing, steel plates, earthenware, piping, sanitary fittings, valves, steel bars, and so forth, are going to be used in Germany alone along administrative lines. It also shows the quantity of iron and steel bars, copper, lead, aluminum, tin, zinc, German silver, mercury, silver, chromium, tungsten, and other metals which are going to be used over there. I shall make the report available to the Senator from Massachusetts now, because I cannot put it into the RECORD in view of the fact that the report is confidential. I shall gladly hand it to the Senator, so he may look at it.

Mr. LODGE. Can the Senator state what is in it? The Senator from Massachusetts does not want to be in receipt of anything that is top secret.

Mr. LANGER. I should be glad to do so, but the report is marked "confidential." It has been sent to me in confidence by the Federal Power Commission.

Mr. LODGE. Does it refer to the Marshall plan or some other plan?

Mr. LANGER. It specifically says it refers to the Marshall plan.

Mr. LODGE. With all due respect to the Federal Power Commission I do not think they know as much about what is going to be sent to Germany under the Marshall plan as does the State Department. We must accept the word of the responsible authorities that no steel is going to Germany under the Marshall plan.

Let me say to my friend from North Dakota that it is true that agricultural machinery, mining machinery, and some trucks, and some freight cars, are contemplated to be sent to Germany, but it is not contemplated that any finished iron and steel, crude and semifinished pig iron, scrap iron, iron ore will be sent. I can assure the Senator of that, and the authority from which I obtained the information is the State Department. I think their word must be accepted as much more authoritative than that of the Federal Power Commission on a matter of this kind.

Mr. LANGER. I might say to my distinguished friend from Massachusetts that not only do they say how much they are going to send but where they are going to send it.

Mr. LODGE. Then it must be a pipe dream, because nobody knows that.

Mr. MALONE. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. MALONE. I may say to my colleague from North Dakota that the reports all show that the production of steel in Germany this year will be below that of last year. Last year it was under 4,000,000 tons. It has been cut to less than 4,000,000 tons and held there, presumably under the Morgenthau plan, from about 24,000,000 tons annually prior to the war. Of course a considerable part of the 24,000,000 tons was war production,—perhaps not over ten or twelve million tons however. Now it would be very easy to produce an additional six or eight million tons of steel in Germany. Those plants were examined by experts. I myself saw some of them which were not injured materially. Some of them could be put back into production merely by sweeping out the plants and starting the men working. It is estimated that within 6 or 8 months an additional 7,000,000 or 8,000,000 tons annually could be produced, putting the total production up to 10,000,000 or 11,000,000 tons, which would make unnecessary the major part of our annual shipment of steel to Germany. It is a terrible thing to hold those plants idle and ship our own steel to Germany, crowding our own steel producers into creating additional steel production, which requires from 2 to 3 years and a vast amount of steel for such increased production which will probably be unnecessary in the future, and rendered idle at some early future date after the pressing demands had been met. By keeping our own steel at home the spot shortage of oil can be overcome within a very reasonable time and also furnish the necessary steel for building construction.

Harking back to the debate about 10 or 15 minutes ago, when my distinguished colleague from Massachusetts [Mr. LODGE] stated that the plants that were being dismantled were not necessary, let me mention one particular plant. This is one incident, which could be multiplied many times. I was in a coal mine, 2,000 feet below the surface of the earth, and about a mile and a quarter back from the face, at a 3-foot vein. It was a wet mine and I was lying there in the water discussing the plan of operation with the miners and the shift boss. They were setting up a new coal cutter. There were steel shaker conveyors delivering the coal to the web conveyors on the 5-percent dip of the vein and then by the web conveyors to the automatic loaders. There was a string of 35 3½-ton steel cars moving up automatically and everything working efficiently and well. I said, "This looks fine. Why do you not have more coal cutters?" The shifter replied, "We would like to get more coal cutters, but the only factory in Germany which makes these cutters is on the reparations list."

So I would remind my distinguished colleagues that it is not merely a question of the plants themselves, and the amount of production; but that they produce things which other plants need for repairs and replacement; and when we remove those plants we may put many other plants out of business because they are unable to get repairs and replacements unless and until such plant machinery can be replaced by Ameri-

can-made equipment and then spare parts and replacements can be supplied from this country, but it is a long, slow, expensive process, little understood except by men experienced in the particular business of coal mining.

Mr. LANGER. Mr. President, in connection with what was said by the senior Senator from Kentucky relative to the dismantling of plants, I invite the attention of the Senate to a report by Christopher Emmet and Fritz Baade, which has a foreword by former President Hoover. I read from Mr. Hoover's foreword:

At a time when the world is crying, and even dying, from lack of industrial production, we apparently pursue the policy of destruction of the gigantic productive equipment in the western zones of Germany. It means less essential goods to all Europe, greater delay in recovery of the world, and larger drains on the American taxpayer. I can only repeat a statement in my report of 10 months ago. "The removal and destruction of plants (except arms plants) should stop. * * * We can keep Germany in economic chains, but it will also keep Europe in rags." And, I would add, it will keep food scarcity and high taxes in America as we vainly spend a billion a year to keep alive these millions of idle Germans.

The foreword, dated December 27, 1947, is signed by Herbert Hoover. He refers back to a report which he made 10 months before that, which would be in the month of October 1946.

What I am interested in, Mr. President, is what our Foreign Relations Committee of the Senate has been doing. I intend this afternoon and tomorrow, time and time again, to try to find out what this committee of the Senate has or has not done in behalf of the American people. Let the chips fall where they may. If we have a bipartisan policy, if the Republicans and the Democrats are together, I want to know whether the bipartisan policy is for the American people or against the American people.

I invite attention to page 8 of the report to which I have referred. I read:

A list for the American zone, merely giving the names of the firms and the products in which the reparations agency is interested, but not indicating all the products or the number of workers employed in each plant, was finally issued in Washington in mid-November 1947. But even then Senators and Congressmen who were directly concerned with aid to Europe were unable to get the list in the British and French zones.

Even Senators and Representatives who were directly concerned with aid to Europe were unable to get the list in the British and French zones. The Department would not even give us a list of the men in England who were working in the British-occupied zone. Our Senators could not get it. Our Representatives could not get it. That situation is analogous to other situations in which we have been unable to get information.

Only this afternoon the distinguished Senator from Kentucky said that only a few agreements were involved. I invite the attention of the Senate to the speech which I made on this floor just 4 days ago. I wish to read again what

I said, because when I said there were 20,000 agreements the Senator from Kentucky threw up his hands and said that there was nothing to it. I quote from page 2174 of the RECORD:

I repeat, Mr. President, we must take a reading of our foreign commitments made during and since the war. I have read with a great deal of interest the statements by James A. Farley in which he claims that part of the world's ills are a result of the negotiations made by Mr. Roosevelt when he was in ill health. Again, we must inspect these commitments. We must know what they say. We must know what they are doing to us. The documents, some 20,000 in number, include companion papers and contain the answers to the Canol project, oil in the Middle East, the rehabilitation of the Dutch East Indies, civil affairs functions in occupied areas, the disposition of territories owned by Hitler satellites, and the currency for occupation troops, about which much has been said.

I repeat that the documents number 20,000, and I am prepared to show it. I wrote a letter to the Secretary of National Defense and received a reply this morning to the effect that he could not produce them, that I would have to get them from the President of the United States or the Prime Minister of Great Britain. I have this letter before me.

I continue to read:

They will reveal the entire strategical concept of both the war in the Atlantic and the Pacific and all directives to General Eisenhower, General MacArthur, and Admiral Nimitz.

If they are produced, they will number 20,000. Why are not the specific ones for which I have asked produced? I have asked for them by number. I have described them in my requests. Why are they not produced?

Let me go back for a moment to the question of dismantling of plants. That subject is dealt with in the report from which I have read under the heading, "How Dismantling Contributes to Shortages and Inflation in America." The title of the report is "Destruction at Our Expense. How dismantling factories in Germany helps inflation in the United States and sabotages the Marshall plan." I call attention to the fact that nearly a year ago the Senator from New Hampshire [Mr. BRIDGES] and the Senator from Mississippi [Mr. EASTLAND] submitted a resolution endeavoring to stop the dismantling of plants in Germany, and they got exactly nowhere. We were promised at that time by the chairman of the Foreign Relations Committee that no more plants would be shipped out of the United States zone into Russia, and that the good offices of the United States Government would be used so that no more plants would be shipped out of the British or French zones of occupation to Russia. All I can say is that such operations have continued, as every Senator knows.

More food is vital but men do not live by bread alone. They must have hope. And if the dismantling program does not make sense to so many experts in Britain and America, it is hardly surprising that it is opposed by German workers, who are asked to continue the process of destruction amid the ruins which surround them, in many cases destroying the source of their own jobs.

Mr. President, I quote now from page 7:

Unfortunately, the State Department's pledge only applies to plants from the American zone, one-fifth of those involved. A British Foreign Office spokesman has announced that they plan to continue shipping dismantled plants to Russia regardless of what America does.

Mr. President, I wish to repeat that statement. It appears in the report which has a foreword by former President Herbert Hoover:

Unfortunately, the State Department's pledge only applies to plants from the American zone, one-fifth of those involved. A British Foreign Office spokesman has announced that they plan to continue shipping dismantled plants to Russia regardless of what America does. However, Senator VANDENBERG reported that the State Department is making representations to the British about this and, in view of the Marshall plan, there is no doubt of the United States Government's power to end or reduce dismantling in all the western zones if it really wants to. But meanwhile the program continues.

Mr. President, Herbert Hoover is quite a statesman. Sometimes I wonder whether he is not a better statesman than any Senator upon this floor.

I continue to read from page 7:

Such is the present position and such are the general arguments. It is not merely the shipment of plants to Russia but shipping them anywhere which is in dispute. Enough has been said to indicate that there is no moral obligation on the United States to continue or to tolerate dismantling, at all, if we consider it against the interests of the Marshall plan. We have the right and the power to end it—regardless of past agreements which have been superseded.

Mr. President, just as the distinguished Senator from Nebraska has said, "Why has it not been ended a long, long time ago?"

I read further:

The question should be decided by the American Government and the American people strictly on its economic merits, and only a detailed analysis of the actual plants involved can enable the United States Congress or the general public to form an intelligent opinion about those merits.

Listen to this, Mr. President:

The capital value of these factories is estimated at approximately a billion dollars and even in these times, wherever Government action involving an investment of a billion dollars is concerned, the United States Congress should be given full details—

But we do not have them. Yet they ask us to go ahead and give them \$5,300,000,000 more, when we have absolutely nothing in the way of information as to what they have done or what they propose to do—

including a list of the products of each factory, figures on the amount of production and labor employed, as well as an estimate of the repercussions of these transfers on domestic and foreign markets. Yet in this case, where not an investment but the largest devestment in history is planned, even the list of the factories concerned was not until recently available to the man who pays the bill, the American taxpayer. A list for the American zone, merely given the names of the firms and the products in which the reparations agency is interested, but not indicating all the products nor the number of workers employed in each plant, was finally issued in Washington in mid-Novem-

ber 1947. But even then Senators and Congressman who were directly concerned with aid to Europe were unable to get the list in the British and French zones. Now, at last, the British list has also been published, thanks to the House Foreign Affairs Committee—

Not to the Senate Foreign Relations Committee, Mr. President, but to the House Foreign Affairs Committee of this Congress—

so that we can begin to analyze the whole dismantling program as it will affect European reconstruction and the American economy.

There are three territories involved, the United States, the United Kingdom, and the French zones of Germany, and factories earmarked for dismantling are classified either as "war plants" or "surplus" industrial plants. The term "war" plant needs some explanation.

Mr. President, I ask unanimous consent to have this entire pamphlet printed at this point in the RECORD, because of its great importance relative to the matter now under discussion. I also ask that the foreword by former President Herbert Hoover be printed.

There being no objection, the pamphlet was ordered to be printed in the RECORD, as follows:

DESTRUCTION AT OUR EXPENSE—HOW DISMANTLING FACTORIES IN GERMANY HELPS INFLATION IN THE UNITED STATES AND SABOTAGES THE MARSHALL PLAN

(By Christopher Emmet and Fritz Baade)

FOREWORD

"At a time when the world is crying, and even dying, from lack of industrial production we apparently pursue the policy of destruction of the gigantic productive equipment in the western zones of Germany. It means less essential goods to all Europe, greater delay in recovery of the world and larger drains on the American taxpayer. I can only repeat a statement in my report of 10 months ago: 'The removal and destruction of plants (except arms plants) should stop * * * we can keep Germany in economic chains but it will also keep Europe in rags.' And, I would add, it will keep food scarcity and high taxes in America as we vainly spend a billion a year to keep alive these millions of idle Germans.

"HERBERT HOOVER.

"DECEMBER 27, 1947."

On October 16 the United States and British occupation authorities in Germany announced a new plan for dismantling 682 plants in the American and British zones for reparations delivery. Later 236 plants in the French zone were added to make a total of 918.

In addition to arousing wide protests among labor unions and other democratic groups in Germany, this announcement has inspired a growing debate in both Britain and America, a controversy which has increased with the break-down of the London Conference. There is no criticism of the dismantling of nonconvertible war plants but there is strong opposition to removing facilities available for peaceful production, including the nearly 600 factories involved which are not even listed as war plants.

Criticism has focused on two main points: First, that many of the plants have been allocated for shipment to the Soviet zone of Europe and, second, that in all three zones in Germany from which the factories are to be removed, there is at present a huge economic deficit which is being met, directly or indirectly, by the American taxpayer. This takes

place either through appropriations for occupation costs, which now also cover the British zone, or through appropriations for France under the emergency relief program.

The dismantling program has been defended by Under Secretary of State Robert A. Lovett, who emphasized that these plants were either established in connection with the German war machine or determined by the United States and United Kingdom authorities to be unnecessary for the German peacetime economy. On December 16, Gen. Lucius Clay said in Berlin that the factories on the dismantling list were surplus because the German production goals under our new level-of-industry plan could be achieved without them. He added:

"For the next 3 or 4 years there is no prospect that enough raw material, electric power or coal will be available in Germany to make these factories run. However, since the plants are being transferred to countries which can put them to work in the next few years, they will make a contribution to the general recovery of Europe."

On December 7, 1947, the New York Times magazine printed an article by Alfred Z. Carr, a member of the Inter-Allied Reparations Agency in Brussels, of which Russia is a member, which explained the history of Allied agreements in regard to dismantling. Mr. Carr defended these agreements, stressed the utility of the plants to our Western Allies, claimed that the Germans lacked skilled labor and raw materials to run many of them, and argued that they would be more useful to European production if dismantled.

On the other hand, all these arguments have been disputed by outstanding American economists and political leaders, including the Hoover mission and most of the Senators and Representatives who visited Europe to study aid for reconstruction. They contend that Germany is now the danger point of western Europe and that German production lags far behind that of other western nations, with an estimated German production in the western zones of 35 percent of 1938, while that of France before the recent strikes was close to 100 percent of 1938. The same thing is also true of Britain in recent weeks, as well as Belgium and Holland. The appalling overcrowding of western Germany, with nearly 10,000,000 refugees expelled by Russia and her satellites in the East, makes the German production lag all the more disastrous. Therefore, it is not a question of giving Germany priority over our Allies but of curing the economic plague spot of Europe.

The critics point out that while it is true that many of the plants scheduled for dismantling are not working to full capacity now, due to lack of raw materials, electric power, transportation or skilled labor, in many cases the same difficulties would apply if they were moved, not to speak of other complications.

Obviously, it is usually easier to get a plant back into production where it was originally built for profit than to go through the costly, prolonged and hazardous process of moving it. Many of the plants on the list are already producing on a reduced scale. The burden of proof is on those who would move them, especially as experience shows that the average plant loses 50 percent of its productive value when removed, while in some cases the loss is as high as 85 percent. The sales record of the United States War Assets Administration confirms this. It is not just a question of damage and deterioration in the plant but of the dislocation of markets, the reallocation of raw materials and transport facilities, the securing of adequate housing and skilled labor, and other factors involved in shipping the plant from one industrial complex to another.¹

¹ See note at end of article.

Critics also emphasize the waste of the limited supply of skilled labor and already overburdened transport facilities in the non-productive process of dismantling, moving, and reassembling these plants, a process which would continue throughout the next two or three critical years in Europe's battle of production.

The discouraging effect of the dismantlings on German labor and on other democratic elements, on which we must rely to build democracy and resist communism in Germany, is also emphasized. Lewis H. Brown in his report to General Clay underlined the importance of increasing incentives to German workers to overcome apathy and defeatism. More food is vital, but men do not live by bread alone. They must have hope. And if the dismantling program does not make sense to so many experts in Britain and America, it is hardly surprising that it is opposed by German workers, who are asked to continue the process of destruction amid the ruins which surround them, in many cases destroying the source of their own jobs.

As for allied agreements, the opponents of dismantling point out that the whole reparations program of which dismantling is a part was conditioned upon the economic unification of Germany. When Russia violated that pledge all the reparations agreements became subject to reexamination, including those with our western allies which were based on the over-all agreement. As long as we must meet the cost of the huge German deficit, not only in our zone but in the British and French zones (through the new Anglo-American agreement and through our emergency aid to France), it is the United States which will pay for any reparations taken out of western Germany. This is what the New York Times had in mind when it closed its editorial on November 13 with the words:

"Let the plants stand and get to work. America has more than paid for them."

It is natural that some of the allied nations which had suffered at German hands originally put in claims for plants even if they could only hope to salvage a small part of their value, especially as Russia would have demanded them if the western allies had not. But the situation is completely changed now that America has proposed a plan for over-all aid. It will be hard enough for the European recovery program to succeed, and hard enough to persuade the American Congress to appropriate the money, without wasting a single factory. The United States is in the best position to take the long-range view of where these plants can be of most use to the production of western Europe as a whole. Yet the dismantling lists in the French and British zones were originally selected by British and French officials, although America will foot the bill for any mistakes involved.

It is not as though we were asking our western allies to abandon their reparations claims forever, but only for as long as Germany's poverty is a danger to Europe and a burden to the United States. By taking less now our allies may get more later.

The desire to remove more German industry now as a means of preventing future German aggression may be natural but it is unwise and unnecessary. For the period of the present crisis, and for as long as the Allies occupy western Germany, it is utterly irrelevant. As for the future, there are other and better ways of preventing aggression, such as disarmament and disarmament inspection; treaties to provide joint action against future aggression from Germany or elsewhere; the building of a democratic Germany, and, above all, the building of a real international organization with its own police force.

As the third Hoover report says: "Almost every industry on earth is a 'war potential' in modern war. No industry (except direct

arms manufacture) is a war potential if the energies of a people are confined to the paths of peace." The present inability of German industry to support the overcrowded areas of western Germany on a bearable standard of living is the greatest danger to peace and democracy, the surest way to promote Communist or Nazi aggression.

There are encouraging signs that a reexamination of the dismantling program will find influential support within the countries of our western allies themselves. In January 1947 the Dutch Government stated: "It is inadvisable to lay down maximum quotas for German industries, including the iron and steel industries." On November 26, 1947, a joint statement by the Governments of Holland, Belgium, and Luxemburg, which are joined in a customs union called Benelux, also indicates doubt about dismantling on the present scale.

The former British Cabinet Minister in charge of occupied Germany, John Hynd, Member of Parliament, made a long and moving speech against dismantling anything but real war plants in the House of Commons debate on October 27. He declared that German recovery is being wrecked by the removal of necessary productive facilities, such as farm machinery, tractors, mining machinery, railroad locomotives, and soap, without any corresponding benefit to the countries which are to receive these factories as reparations. After 4 or 5 years, he said, they would get rusted machinery whereas it would be easier to build new factories.

He expressed grave doubt that the proposed new level of industry for Germany, including the planned total of steel production, could be attained under the dismantling program. His speech was supported by leading conservatives, including former members of the coalition cabinet, and by liberal and labor members as well. This debate occurred before the failure of the London conference on German unity, so that the British Government's refusal to modify its policy may not be final.

It was the force of similar arguments and expert testimony which led Congress to pass unanimously the Case resolution at the close of the emergency session, a resolution which voices some of the above doubts about dismantling and calls upon the War Department to supply Congress with detailed answers to a long series of searching questions.

An even stronger resolution was introduced in the Senate by Senators BRIDGES and EASTLAND. The Senate Appropriations Committee, led by Senator BRIDGES, also attached an amendment to the emergency appropriation for our occupation forces, specifying that none of the money should be used in the dismantling process. This amendment was only withdrawn after Senator VANDENBERG reported a pledge by the State Department that there will be no shipment of dismantled plants from the United States zone to Russia, and gave the personal assurance that the Foreign Relations Committee of the Senate would "ruthlessly explore" the whole question of dismantling when Congress reassembles.

Unfortunately, the State Department's pledge only applies to plants from the American zone, one-fifth of those involved. A British Foreign Office spokesman has announced that they plan to continue shipping dismantled plants to Russia regardless of what America does. However, Senator VANDENBERG reported that the State Department is making representations to the British about this and, in view of the Marshall plan, there is no doubt of the United States Government's power to end or reduce dismantling in all the western zones if it really wants to. But meanwhile the program continues.

II

Such is the present position and such are the general arguments. It is not merely the

shipment of plants to Russia but shipping them anywhere which is in dispute. Enough has been said to indicate that there is no moral obligation on the United States to continue or to tolerate dismantling at all, if we consider it against the interests of the Marshall plan. We have the right and the power to end it—regardless of past agreements which have been superseded. The question should be decided by the American Government and the American people strictly on its economic merits, and only a detailed analysis of the actual plants involved can enable the United States Congress or the general public to form an intelligent opinion about those merits.

The capital value of these factories is estimated at approximately a billion dollars and even in these times, wherever Government action involving an investment of a billion dollars is concerned, the United States Congress should be given full details—including a list of the products of each factory, figures on the amount of production and labor employed, as well as an estimate of the repercussions of these transfers on domestic and foreign markets. Yet in this case, where not an investment but the largest divestment in history is planned, even the list of the factories concerned was not until recently available to the man who pays the bill—the American taxpayer.

A list for the American zone, merely giving the names of the firms and the products in which the reparations agency is interested, but not indicating all the products nor the number of workers employed in each plant, was finally issued in Washington in mid-November 1947. But even then Senators and Congressmen who were directly concerned with aid to Europe were unable to get the list in the British and French zones. Now at last the British list has also been published, thanks to the House Foreign Affairs Committee, so that we can begin to analyze the whole dismantling program as it will affect European reconstruction and the American economy.

There are three territories involved, the United States, the United Kingdom, and the French Zones of Germany, and factories earmarked for dismantling are classified either as "war plants" or "surplus" industrial plants. The term "war" plant needs some explanation. It does not mean that these plants could not be converted to peacetime production, for even plants already successfully converted are listed as "war plants," at least in the British zone. An example is the Holmag-Werke of Kiel. This former war plant was converted to produce diesel engines for fishing boats, and had received many foreign orders at the Hanover Export Fair. The unanimous protests of the Government of Schleswig-Holstein as well as of the population and the workers seem to have saved part of this plant. Nevertheless, it is still on the dismantling list (No. 425), classed as a "war" plant, and there are many other less publicized cases of a similar nature.

The following table sums up the division of "war" plants and "surplus" industrial plants in the three zones:

	United States zone	British zone	French zone
Total number.....	186	496	236
War plants.....	104	198	36
Surplus plants.....	82	298	200

This table proves that only in the United States zone a majority of the plants earmarked for dismantling are listed as war plants and only a minority as surplus industrial plants.

The ratio is the opposite in the British zone where only two-fifths of the plants are classed

as war plants and nearly three-fifths as surplus industrial plants. In the State of North Rhine-Westphalia (identical with the Ruhr), of the 294 plants to be dismantled only 43 are officially classified as primarily concerned with armaments. In the French zone only a total of 36 plants are marked as war plants; the bulk of the list, 200 plants, are dubbed surplus.

The yardstick for surplus industrial plant is the new level-of-industry plan that provides for an industrial capacity in the western zones equal to that of 1936, which is supposed to be sufficient to support the present German population. Unfortunately, the fine statistical job done in figuring out this level-of-industry contains a tremendous economic error, so common amongst all purely statistical investigations. The calculation is based on a wrong assumption concerning the economic problem involved. It considers a static economy which is a fiction and ignores the dynamics of actual economic life. The industrial capacity of 1936 reflected a going economy with all factories in full production, no scarcities of essential raw materials and skilled labor, no war damages, no housing problems, etc. Today, western Germany is wrecked by the impact of war and postwar developments and is still in the initial phase of reconstructing its basic production capacity. Everybody will agree that it would be more than foolish to remove from a burning house the statistical surplus of fire extinguishers—but that is exactly what the dismantling of surplus plants amounts to with regard to the German economy today.

A detailed analysis of the factories earmarked for dismantling reveals astonishing facts with regard to the European-recovery program. Certain groups of these factories obviously deserve top priority in any European-reconstruction program since they produce top-scarcity goods. The Herter committee, in its preliminary report of November 13, 1947, pointed out that steel in general, especially rolled- and drawn-steel products like sheet, tin, strip, and—with a high priority—pipe for oil and gas transmission, is extremely scarce throughout Europe. This report shows that fulfillment of the urgent needs of the 16 nations participating in the Paris Conference, would mean "raising the minimum steel deficit in the United States from 1,600,000 to 5,000,000 net tons—a staggering deficit to impose on the consumers of steel in the United States."

The Herter committee further reports that: "Potential United States supplies of sheet, strip, and tin plate promise to remain inadequate to meet domestic demand through 1948. * * * The demand for large-diameter electric welded and seamless pipe for domestic oil and gas transmission lines is currently in excess of American mill capacity and promises to continue so through 1951. In addition, there is a large export demand for such material, part of which will be necessary to enable middle-eastern sources to provide Europe with critically needed tonnage of petroleum products."

In view of these critical shortages the Herter committee recommends:

(a) Added production of German ingot steel.

(b) Some diversion of European semi-finished steel from presently planned use to increased sheet production in idle or underutilized German sheet or strip mills.

(c) Suspension of all plans to dismantle or otherwise render inoperable such units until it is known that they will be unable to relieve the pinch in sheet and strip.

(d) Stoppage of any reduction in German capacity for pipe production and instead supplying adequate amounts of large tube rounds and wide plates for the pipe mills proper.

Therefore, following the recommendations of the Herter committee, three groups of plants in Germany must be regarded as vital

from a European point of view: steel production plants, steel rolling mills, and pipe producing or assembling plants. To these three vital groups we should add others. Due to the transportation bottleneck in western Europe, priority must be given to all factories producing transportation equipment, such as accessories for railroad cars, locomotives, trucks and road-building machinery. Even higher priority should be given to all factories producing mining equipment, especially for coal mines.

In the interest of the American taxpayer, who covers the deficit of western Germany, we must add yet another group of industries: all plants producing goods exportable against hard currency, or against vitally needed foodstuffs and raw materials. Factories producing machinery, spare parts, accessories, industrial equipment, cutlery, small dies, and tools are savers of United States dollars.

Now, let us see, how many factories of these vital groups are included in the list of surplus industrial plants to be dismantled. The result of such an analysis is very discouraging.

Vital "surplus" plants in the bizon e earmarked for dismantling

	United States zone	British zone
1. Steel-producing plants.....	5	49
2. Steel-rolling mills.....		31
3. Pipe-producing or assembling plants.....		53
4. Road-building machinery plants.....		14
5. Mining-equipment plants.....		47
6. Plants producing exportable goods.....	49	90
Total.....	54	284

However, this very instructive table tells only a part of the whole story, as it refers only to the quantity, but not the quality of the plants concerned. Quite naturally only outstanding factories are picked for dismantling.

Among the 31 steel rolling mills slated for dismantling in the British zone we meet a parade of western Europe's foremost plants in this field. Thirteen of them are complete rolling mills with the most up-to-date equipment; 18 are parts of big steel plants, both steel-producing and steel-rolling mills. According to reports from German papers, the doomed rolling mills represent 55 percent of the total capacity for strip and tin plate and as much as 65 percent of the capacity for medium and heavier sheet. There can be no doubt that the dismantling of these factories will defeat the constructive proposals of the Herter committee to "increase sheet production in idle or underutilized German sheet or strip mills." It will therefore create an unnecessarily inflationary impact of the Marshall plan on the American economy by aggravating and prolonging our scarcity of steel products.

One of the doomed mills (No. 88: Bochumer Verein für Gusstahlfabrikation) is described in the dismantling list as especially equipped for the production of railroad wheel rims. This seems to be the same plant mentioned by the distinguished British writer, H. N. Brailsford, in the New Statesman and Nation of October 25, 1947, as "one big firm due to be dismantled, which is so vital for the repair and construction of rolling stock that it had been given top priority for coal and electric current in the worst days of the present crisis."

Among the doomed pipe-producing plants are some of the most modern and most efficient units in Europe, i. e., four large units of "Mannesmann" in Gelsenkirchen, Duisberg, Düsseldorf and Witten. As to No. BS 68 (Mannesmann-Werke in Duisberg), BS

93 Deutsche Rohrenwerke in Mülheim-Ruhr) and BS 110 (Press and Walzwerke Düsseldorf-Reisholz) the official dismantling list points out that these plants are especially equipped for the welding of large diameter pipe. This type of plant is given top priority by the Herter committee as essential to alleviate the delivery shortage of oil and gas in the United States, as well as to provide Europe with critically needed oil products from the Middle East.

Of one factory, No. BS 86, the dismantling list itself admits that it is equipped with 22 gas-welding machines for the fabrication of special piping. No less than 33 plants are officially listed as producers of boilers, tank work, and pipe lines. According to reports from German papers, the pipe-producing plants earmarked for dismantling represent 46 percent of the total capacity of this industry in the western zones and even near to 100 percent of the capacity for large diameter pipe. Since the plants with the most modern equipment are on the dismantling list, there is no doubt that the cream of this industry in Germany—and that means an important section of this industry in western Europe—will be doomed if the dismantling is not prevented.

The scarce data in the dismantling list only permits classifying 47 plants as producers of mining equipment. But in his article, Mr. Brailsford tells the human story:

"On Saturday at the office of the T.U.C. for the western zone in Düsseldorf its wise old chairman, Hans Bockler, who wins everyone at a first contact, was explaining to me how closely interwoven are the industries of the Ruhr: 'You can't decimate the machine-tool and heavy-machine industries without threatening others on which our life depends.' At that moment his words came to life with the entry into the room of the miners' leader, August Schmidt, who took from his pocket a typed list of no fewer than 97 firms marked down for dismantling, which supply machines of one sort or another to the Ruhr mines. These ranged from winding gear, pumping machinery, and conveyor belts to the latest cutting devices. The mines, he said bluntly, could not carry on without some of these doomed firms—more especially 'Demag' of Duisburg."

Thus our figure of 47 mining-equipment producers on the dismantling list (see foregoing table) proves to be very conservative including only the chief producers of such equipment. Among these chief producers are no less than three factories of the "Demag": one for mining equipment; one for compressed air engines, pumps, compressors, and conveyor belts; and the third for general equipment. Another factory in this group is officially listed as a producer of equipment for coal mines. The two plants BS 240 (P. Pleiger, Hammertal-Nord) and BS 250 (Rotelmann & Co., Werdohl) are indispensable suppliers of accessories for pneumatic mining tools, representing not less than 90 percent of the total production of these small but vital parts. The plant No. BS 185 (Gewerkschaft Eisenhütte Westphalia) holds another key position in coal mining equipment for the Ruhr, since this firm specializes in the production of complicated conveyors for steep seams, found very often in Ruhr mines.

The list of 14 producers of road-building machinery is also very instructive. As the Manchester Guardian pointed out, the detailed decisions concerning the dismantling list were made by lower officials of the military government who cannot be expected to have a full understanding of the extraordinarily complicated mechanism of German production. The case of plant No. BS 253 (Ruthemeyer-Sost) seems to confirm the statement of the British paper. This firm is an outstanding and important producer of road-building machinery. When Germany

was an economic unit, 40 percent of the whole production of road rollers was located east of the Oder-Neisse line. Another 25 percent of the production was in what is now the Russian zone and these plants (Orenstein & Koppel and Schwartzkopf) have already been dismantled by the Russians. Of prewar production 17 percent was in the present French occupied zone but this plant was severely damaged. Therefore the plant Ruthemeyer-Sost is practically the only supplier of the bizon e for road rollers, with a share of 100 percent in the production of steam rollers and 80 percent of motor rollers. The transportation bottleneck in western Europe is well known but even in the United States we are facing a serious shortage of road-building equipment. In the New York Times of December 5, 1947, a report by Bert Pierce, from Washington, says:

"Lack of road-building equipment, due chiefly to the prevailing shortage of steel and potential demands for this type of machinery by the Marshall plan, will reduce the scope of 1948 highway construction in this country by at least 30 percent when highways are sorely needed, Charles M. Upham, engineer-director of the American Road Builders Association, said today."

There is no need for further comment about this kind of aid for the Marshall plan. Yet in answering Senator STYLES BRIDGES' criticism of the dismantling, an official of the military government in Berlin stated bluntly:

"The dismantling and reparations program will proceed on schedule since the decision represents the culmination of years of careful planning and statistical work."

So much for the dismantling program in the bizon e. For the French zone the published dismantling list published in German papers does not permit the classification of the surplus industries in the subdivisions set forth in the above table. The 200 surplus plants (against only 36 war plants), however, can be broken down as follows:

Surplus industrial plants in the French zone

	Number of plants
Steel and iron.....	2
Nonferrous metals.....	12
Mechanical and electrical industry.....	70
Optical industry and fine mechanics.....	32
Chemistry.....	34
Pharmaceutics.....	2
Dyes.....	36
Inorganic chemistry.....	10
Cement.....	1
Electricity.....	1

Total 200

These factories belong to the best export currency producers of German industry. The 70 plants in the group Mechanical and Electrical Industry are not members of big cartels or trusts, but small or medium-sized family-owned firms, characteristic of southwestern Germany. They were among the most successful exporters in peacetime. This applies, too, to the group Fine Mechanics. More than half of the 32 plants in this group produce watches, including the world-renowned Junghans watches.

One of the pharmaceutical firms is Knoll-Ludwigshafen, whose famous alkaloid plant is to be dismantled completely. Another is Boehringer-Ingelheim, with a complete line of caffeine, papaverine, and derivatives of quinine. On the list of chemical plants we find no less than seven factories making soap or synthetic fats. The cement factory listed is a complete unit with two turning furnaces and a capacity of 300,000 tons. Cement is essential in the German housing shortage now and for a long time to come.

United States policy aims at integrating the French zone into a trizonal unit. Thus,

after the proposed dismantling of the best dollar producers of this zone the American taxpayer will be called on to carry the greatly increased economic deficit of this territory not once but every year for a number of years.

On the dismantling list for the French zone there is one case so monstrous as to be hardly believable—the dismantling of Europe's biggest nitrogen fertilizer plant, at Oppau. According to the official list, not just a single factory is marked for removal but an entire industrial center; three partial plants plus three complete units for the production of synthetic nitrogen.

In 1945 the vital role of fertilizer, and especially of nitrogen, in the fight against world hunger was not yet fully recognized. In the year 1948 all responsible men in the United States Government as well as in the World Food Organization are fully aware that only enlarged production of fertilizer can overcome starvation in Europe and help America share its bread with the hungry. There are a number of excellent reports compiled by outstanding American specialists in the planning of European recovery; the Nourse report, the Krug report, the Harriman report, and the report of the Herter committee. Each of these reports focuses on the crucial problem of inadequate fertilizer production.

To quote from the Krug report:

"World production (of fertilizer nitrogen) today is meeting only about three-quarters of world requirements. * * * It is understood, however, that considerable nitrogen capacity is currently unutilized in western Europe, primarily for lack of coal. The gains to be made from full utilization of this capacity, by making coal supplies available, may be much greater than those which can reasonably be expected from the actions necessary to increase exports of nitrogen from the United States.

"In summary, the foreign-aid program should be designed to increase production of nitrogen by employing unused capacity in Europe and elsewhere to help to meet the current world food shortage and to minimize imports of food to aided countries. To this end coal and industrial equipment shipments for nitrogen fertilizer production should be given high priority."

Or from the Harriman report:

"The committee feels strongly that top priority should be given to the provision of steel and equipment to repair war-damaged nitrogen fertilizer plants as rapidly as possible, and to the allocation of adequate supplies of coal to operate them to capacity."

In prewar times Germany was by far the world's largest producer of synthetic nitrogen, with more than half of European production providing not only her own agriculture but also that of many European countries with this vital plant food. According to a statement by Herbert Hoover in his third report to President Truman:

"At the end of the war Germany had a very large nitrogen capacity. Despite losses from war destruction, its potential production was still about 700,000 tons per annum. This capacity, if it had been preserved, would have supplied not only her own needs but large exports to neighboring countries as well."

After the Morgenthau policy was introduced, this capacity was successfully reduced, partly by dismantling, partly by nondelivery of essential materials, and partly by red tape. When the crucial question of fertilizer production for feeding Germany was recognized in its full importance, the monthly reports by the United States military government repeatedly complained that the plant in Oppau in the French zone failed to deliver semifinished products such as ammonia water to the finishing plants in the United States zone.

Even the full reversal of the fertilizer policy of the United States military government was unable to overcome the disastrous effects of its insane start. Actual nitrogen production for the 1946 crop was only 100,000 tons, and even for the 1947 crop only 127,000 tons could be produced by the bizon. Part of this deficit was covered by nitrogen exports from the United States to Germany, in spite of the fact that the American farmer is desperately short of fertilizer, too.

Under average weather conditions 1 ton of nitrogen produces 600 bushels of additional grain crop. Therefore, the 500,000 tons of nitrogen production in Germany lost in consequence of dismantling and red tape in each of the years of 1946 and 1947 correspond to an approximate loss of 30,000,000 bushels a year in western Europe's food production. This is, yearly, three times the amount the American consumer was called upon to save in the Luckman food conservation program.

This illustrates how directly every economic folly in western Europe affects every home in the United States. The evil ghosts born from destruction of fertilizer plants are eating our meat on Tuesday, our poultry and eggs on Thursday, and are busy turning the inflation spiral.

If the dismantling of steel-rolling mills, pipe-making or assembling factories, plants producing road-building machinery or coal-mining equipment does indeed proceed on schedule, this scourge of invisible, unwelcome guests will have some newcomers. Those ghosts produced by the dismantling of pipe factories will siphon the gas from our automobiles and the oil from our oil burners. Others, born from the dismantling of steel-plate-producing mills, will steal the plates destined for new cars or washing machines and veterans' houses. All of them together will have their merry-go-round on the inflation spiral.

CONCLUSION

It follows from the above analysis that the planning and timing of the dismantling of German plants is uneconomic and unrealistic. The removal of large productive assets from western Germany cannot, under present conditions, contribute to the recovery of the Old Continent. It would, however, aggravate the existing bottlenecks in Europe and the United States as well. It would throw an additional burden on the American taxpayers. Starting Operation Removal now means deliberately knocking out vital European production facilities for years, because it will take years to complete the gigantic job of dismantling, moving, reassembling, and starting the production of large plants.

A new approach to the whole problem of reparations in capital goods must consequently be found—an approach which respects the justified claims for security and compensation on the part of the European victims of Nazi aggression, but at the same time does not jeopardize the outcome of the Marshall plan for European recovery and the economic order in the United States. The 16-nation report, which largely ignored western Germany's potential contribution to the Marshall plan, was drawn up before the breakdown of the London Conference when it was still necessary for the western nations to assume that the Allied reparations agreements, including the dismantling program, would be carried out. But by thus omitting the steel products which could be produced in Germany, the 16 nations were compelled to make demands for United States steel which it will be impossible for us to meet without increasing inflation and bottlenecks in vital areas of American production, such as freight cars, automobiles, and farm machinery.

On the other hand, if Europe required less United States steel, we could manufacture more freight cars which would permit in-

creased transportation and export of coal. A moratorium on dismantling, plus a slight increase in American coal exports to supply fuel for the now unused German, as well as French, steel capacity, would greatly reduce Europe's need for United States steel under the Marshall plan.

It can be estimated that for every ton of increased United States coal exports, at the f. o. b. value of \$10, we can save 1 ton of steel products, at the f. o. b. value of \$100—or a total probable saving of \$3,000,000,000 over the 4-year period of the Marshall plan, without any loss in the plan's efficiency.

As the United States, Great Britain, and France have already recognized that reparations from current production should not be given precedence over western Germany's recovery, it is about time to make similar adjustments for reparations in capital goods. Germany's existing industrial capacity can be the tool for stepping up current production in the interest of the rehabilitation of the western European community as a whole. This potential should be put to work at once and where it is now located, without prejudice to the political aspect of reparations. All we need for a constructive solution is the application of old-fashioned business principles.

NOTE.—Concrete examples of the terrific economic losses involved in dismantling are revealed in article of December 10, 1947, by the *Neue Zürcher Zeitung*, the greatest newspaper in Switzerland.

The newspaper gives the capital value of certain plants before dismantling as appraised by the Allied Reparations Agency—a figure which is based on the original investment value, with allowance for depreciation and additions—and compares this figure with the official value assigned to the plant by the Allied Reparations Agency after dismantling.

1. The Deschimag Shipyards, No. A. S. 184 on the American dismantling list, published by the House Foreign Affairs Committee, had a capital value of 60 million marks before dismantlement. The value after dismantlement was 4.8 million marks, 8 percent of the value.

2. The Borbeck steel plant, No. B. S. 54 on the British dismantling list, had a capital value before dismantlement of 120,000,000 marks. The sales value after dismantlement was 9,500,000 marks, or 8 percent of the value. The *Neue Zürcher Zeitung* explains that it took 3,000 workers 2 years to dismantle the plant which has been allocated to Russia.

3. The Düsseldorf Werkzeug Maschinen Fabrik, No. B. S. 258, of Schliess & Co., Düsseldorf, had a capital value of 30,600,000 marks and a sales value of 12,500,000 marks, or 40 percent, but this was the highest figure and the sales value of most of the plants after dismantling was between 8 and 20 percent.

It is to be noted that these sales figures do not include the cost of reassembling and rebuilding the plants in new locations. These figures fully confirm the gloomy view which John Hynd, Member of Parliament, expressed as to the utterly negligible value of dismantled plants to our allies compared to their real worth.

Mr. LANGER. Mr. President, I wish to call the particular attention of the Senate to the summary of contents of this pamphlet. As I have said, there is a foreword by Herbert Hoover. Then comes part I, including the following chapter headings:

Summary of the arguments on dismantling, pro and con, page 2.

The dismantling claims of our western allies, page 5.

British and Dutch criticisms of dismantling, including debate in the United States Congress, page 6.

Action against dismantling in the United States Congress, page 7.

PART II

Reveals for the first time:

How facts about dismantling were withheld, page 8.

How the dismantling program conflicts with the Marshall plan and the Krug, Harriman, and Herter Reports, page 10.

How dismantling contributes to shortages and inflation in America, page 16.

Conclusion, page 19.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. LANGER. I yield.

Mr. WHERRY. In the report is there anything in the form of a recommendation which former President Hoover suggests relative to the dismantling program?

Mr. LANGER. No. Mr. Hoover had all that in the first report, 10 months before.

Mr. WHERRY. Was that submitted to the Foreign Relations Committee?

Mr. LANGER. Oh, yes.

Mr. WHERRY. Does the Senator know what it was?

Mr. LANGER. Mr. Hoover went into the matter of how much food there was in Germany, how many people were there, how to take care of them, and how much want and suffering and starvation existed. He went into those matters in the most minute detail, and presented a remedy for the situation.

Mr. WHERRY. Did the remedy relate to the dismantling program?

Mr. LANGER. He said German plants should not be used in that way, except such as might be used for making a third world war.

Mr. WHERRY. Are the plants set forth in this report?

Mr. LANGER. Yes.

Mr. WHERRY. This is the first time they have been revealed; is it not?

Mr. LANGER. It is the first time that former President Hoover was sure of the number, so far as I know.

Mr. WHERRY. Mr. President, will the Senator from North Dakota yield, to permit me to ask a question of the distinguished junior Senator from Massachusetts?

Mr. LANGER. I yield.

Mr. WHERRY. Mr. President, I should like to ask the Senator from Massachusetts whether Herbert Hoover was a witness at the hearings. He was, was he not?

Mr. LODGE. No, he was not.

Mr. WHERRY. Did he present a statement to the committee?

Mr. LODGE. He filed a statement, which is printed in the hearings.

Mr. WHERRY. Does his statement include any reference to the dismantling of war plants?

Mr. LODGE. I cannot answer that question from memory. I should have to look up the matter.

Mr. WHERRY. Was any thought given by the committee to recommendations by Mr. Hoover about the dismantling of plants?

Mr. LODGE. A great deal of consideration was given by the committee to the subject of dismantling plants; yes.

Mr. WHERRY. Did that relate to Mr. Hoover's recommendations?

Mr. LODGE. I do not recall that Mr. Hoover's recommendation was considered by itself; no.

Mr. LANGER. Mr. President, I have before me the Potsdam agreement, which I obtained this morning. The agreement is signed by Joseph Stalin, Harry Truman, and C. R. Attlee, without any designation as to whom they represent. Only the three names are affixed to the document. Therefore I quote them in exactly the same manner.

Mr. WHERRY. Is that the same agreement that was placed in the RECORD this afternoon by the Senator from Kentucky [Mr. BARKLEY]?

Mr. LANGER. It is the same agreement.

Mr. WHERRY. Is it the first time to the Senator's knowledge that it has been placed in the CONGRESSIONAL RECORD?

Mr. LANGER. To my knowledge it is the first time. I particularly call attention to paragraph XIII, reading as follows:

ORDERLY TRANSFERS OF GERMAN POPULATIONS

The Conference reached the following agreement on the removal of Germans from Poland, Czechoslovakia, and Hungary:

The three governments, have considered the question in all its aspects, recognize that the transfer to Germany of German populations, or elements thereof, remaining in Poland, Czechoslovakia, and Hungary; will have to be undertaken. They agree that any transfers that take place should be effected in an orderly and humane manner.

Since the influx of a large number of Germans into Germany would increase the burden already resting on the occupying authorities, they consider that the Allied Control Council in Germany should in the first instance examine the problem with special regard to the question of the equitable distribution of these Germans among the several zones of occupation. They are accordingly instructing their respective representatives on the Control Council to report to their governments as soon as possible the extent to which such persons have already entered Germany from Poland, Czechoslovakia, and Hungary, and to submit an estimate of the time and rate at which further transfers could be carried out, having regard to the present situation in Germany.

The Czechoslovak Government, the Polish Provisional Government, and the control council in Hungary are at the same time being informed of the above, and are being requested meanwhile to suspend further expulsions pending the examination by the governments concerned of the report from their representatives on the control council.

Mr. President, what does that mean? There have been extended arguments in the Senate about displaced persons. A bill was reported by the Judiciary Committee to take care of 1,323,000 displaced persons. We say we are going to take 50,000 of them a year.

Mr. President, I submit an amendment intended to be proposed by me to the bill—S. 2242—to authorize for a limited period of time the admission into the United States of certain European displaced persons for permanent residence, and for other purposes, which I ask may be printed and lie on the table.

The PRESIDING OFFICER. Without objection, the amendment will be received and printed and will lie on the table.

Mr. LANGER. Mr. President, on March 4, I submitted Senate Resolution

209, directing the Senate Committee on Foreign Relations to cause to be prepared and distributed to the Members of the Senate a compilation of all international commitments or agreements which had been entered into on behalf of the United States during the course of the last 10 years. The resolution further provided:

It is the sense of the United States Senate that the Senate shall not be bound to implement by appropriation or other legislation any international commitment or agreement which shall be made or entered into on behalf of the United States of America unless such commitment or agreement shall be transmitted promptly after its execution to the Senate.

Mr. President, some of the agreements we are trying to get are 10 years old, but the United States Senate is not even trusted with them. There are a few fellows at the top who are sacrosanct. The idea of trusting a common, ordinary Senator from New York or Massachusetts or North Dakota or Nebraska! The common people of this country are not supposed to know about such things. All they are good for is to pay the bills and furnish the boys for cannon fodder. At the time of presenting my resolution, I pointed out that over the course of the past few years there have been consummated and there are now being consummated international commitments and agreements vitally affecting not only the United States but the world at large, and that many of the commitments have been consummated without the knowledge of the Senate. The amendment which I am proposing to the Displaced Persons Act of 1948, which has been favorably reported by the Senate Committee on the Judiciary, is prompted by an international outrage of staggering proportions which has been perpetrated by one of the international agreements and implementing commitments.

Mr. President, the conscience of the world was shocked by the savage treatment inflicted by the barbarous Nazi machine on helpless civilians. There is little that I can add to what has already been said to condemn the moral degeneracy which swept Europe in the wake of Hitler's armies.

On August 1, 1945, there was signed in Berlin by Joseph V. Stalin, Harry Truman, and C. R. Attlee, a document, together with implementing decisions and commitments in which representatives of the United States Government participated, pursuant to which some 16,000,000 men, women, and children in eastern Europe were forcefully dislodged from their homes; their property was confiscated and they were driven into the various zones of Germany and Austria. I speak, Mr. President, of the Potsdam agreement, and the implementing decisions of the International Control Council.

With the possible exception of the cruelty and depravity of Hitler's legions, these forced migrations have exceeded in extent any episode in the history of Europe since the days of the Mongolian invasion.

I doubt whether the Mongolian invasion was as bad as what we are witnessing at the present time.

It is mockery, Mr. President, in speaking of these outrages, which were sanctioned and agreed to by representatives of this Government, to mention the lofty precepts of the Atlantic Charter, and yet, on interrogation about this matter, the Chief of the Division of Central European Affairs of the State Department, offers as an excuse this statement:

The Atlantic Charter, it may be noted, disapproves of territorial changes contrary to the wishes of the people concerned, but is silent on transfers of populations.

Thus it was, Mr. President, that the spokesmen of this country, blinded by wartime passions and hatreds, after the successful termination of a war presumably against similar outrages, let loose sentiments of revenge against the innocent and guilty alike. In the negotiations, decisions, agreements, and commitments they decided to adjust populations to geographical areas, instead of geographical areas to populations, even though the plan called for the mass expulsion of millions of innocent human beings.

Pursuant to the agreement, Mr. President, some 16,000,000 persons, who were then living in countries that are now curiously enough behind what is now called the iron curtain, whose chief crime against humanity was that they had traces of German blood pulsing in their veins, were heartlessly assembled like cattle and dumped into Germany and Austria.

It is estimated, Mr. President, that between 20 and 25 percent of these persons perished in the process of expulsion from lack of food, shelter, or from maltreatment.

That is what the United States Government agreed to, Mr. President, that is the unholy record of the United States Government. I am not talking about the Huns. I am not talking about the Mongolian invasion. I am talking about Americans and what their Government is thinking in the twentieth century.

But that is not all of the story, Mr. President. On December 16, 1946, the General Assembly of the United Nations Organization approved a constitution for the International Refugee Organization, pursuant to which there has been established an international organization of which the United States is a member and which costs this country approximately \$73,000,000 a year for the purpose of caring for refugees and displaced persons. According to the provisions of that constitution, Mr. President, persons of German ethnic origin, or the German nationals and members of German minorities in other countries who have been transferred to Germany, are expressly excluded from the care and concern of the International Refugee Organization.

Mr. President, the very man who placed the dome on this Capitol, the very man who drew the design for the Congressional Library, the very men who painted the two great pictures of Washington Crossing the Delaware and Westward the Course of Empire Takes Its Way, which hang upon the walls of this building, were foreign-born persons who came to the United States of America. Under such a constitution as that to which I have re-

ferred some of the men who helped to save this country at Valley Forge would have been barred from coming to the United States of America. Not only that, Mr. President, but the largest ethnic population in the world, with the exception of Great Britain, would be barred from ever coming to this country. I cannot imagine my voting for the bill as reported by the committee. I would rather cut the tongue out of my mouth than to vote "yea" for such an infamous bill.

I repeat, Mr. President, that according to the provisions of that constitution, persons of German ethnic origin or the German nationals and members of German minorities in other countries who have been transferred to Germany, are expressly excluded from the care and concern of the International Refugee Organization.

I see sitting in the Senate the distinguished Senator from Minnesota [Mr. THYE]. I think he will agree with me that in the great Northwest there are no finer, better citizens when it comes to maintaining order, when it comes to hard work, when it comes to being loyal to the United States of America, than are the men of foreign birth who are scattered throughout Montana, Kansas, North Dakota, South Dakota, Minnesota, Wisconsin, and Missouri. There and in Ohio and Pennsylvania they have a record of which they can be very proud indeed. In World War I there was a little county in North Dakota in which 95 percent of the people were foreign born. They won the McAdoo prize for buying the most Liberty bonds in drive No. 3.

It is too late, Mr. President, for us to undertake to rectify this international outrage. The amendment which I have offered proposes, however, a measure of justice and relief. Senate bill 2242, the Displaced Persons Act of 1948, does not embrace as displaced persons these men, women, and children of German ethnic origin concerning whom I have been speaking. I understand that since these people are expressly excluded from the care and assistance of the IRO and are not accepted in IRO camps, it would be exceedingly difficult from the standpoint of administration to undertake to embrace them within the group technically known as displaced persons. The aggregate immigration annual quota for Poland, Czechoslovakia, and Hungary, from which these persons were driven, is only a little over 10,000. The annual immigration quota for Germany, however, is approximately 26,000. The effect of my amendment would be to permit these persons of German ethnic origin who are now lingering in Germany to have available to them, along with all other German nationals, the present German quota. These persons would, of course, be obliged to comply with all of our immigration laws. This does not, Mr. President, constitute a solution or atonement for the conditions which representatives of this Nation participated in creating, but it is at least recognition, perhaps too late, that there is rooted in this country some semblance of justice.

I have not spoken of the 3,000,000 Poles from east of the Curzon line who

have been forced into the areas from which the persons of German ethnic origin had been expelled. I have not spoken about the half-million Ukrainians who were resettled in Poland or expelled to the Soviet country. I have not spoken of the 700,000 Hungarians in Czechoslovakia who are being dislodged from their homes. Nor have I spoken of the 700,000 Balts who are being deported into the interior of Russia. Concerning each of these cases volumes could be written which would stagger the imagination.

To speak of these people in the term of numbers is a heartless approach, but no less heartless, Mr. President, than the decisions, commitments, and executive agreements which have been made on behalf and in the name of the United States of America, and which are even now hidden from the view of the American people.

I have not yet spoken, Mr. President, of the hundreds of thousands of refugees who are now lingering in Denmark, Norway, and Sweden, who are also outside the purview of the international refugee organization, and who, I am reliably informed, are being picked over by representatives of the Russian Government who take the able-bodied forcibly back to Russia for slave labor. There would be no displaced-persons problem today were it not for the fact that these displaced persons cannot return home to those countries which are now under Russian domination. Why are they under Russian domination? A study of the decisions, agreements, and understandings which were entered into on behalf of this Nation will serve as an answer, Mr. President.

I assert that when we see the full text of the agreements, understandings, and commitments which have been made on behalf of the United States—made behind closed doors and without the knowledge or consent of the American people—it will be found that the position of Russia today in world affairs is directly traceable to these agreements. We have appropriated millions of dollars to ferret out subversives who are even now in positions of authority in the Government of the United States. I contend that many of these agreements and commitments will be shown to be their handiwork. I further contend that it will be shown that the blueprint for the iron curtain was partially drafted in Washington and that the materials from which the iron curtain has been fabricated are largely from the production of American workmen, just as the bullets which so lately slaughtered our American boys in the Pacific were forged from American steel.

We have recently viewed with alarm the absorption, by Russia, of Czechoslovakia. I suggest, Mr. President, that if the record were brought to light it would be shown that this coup did not just happen in the course of a few weeks or months, but that the groundwork was laid through certain international understandings and agreements during the war. Was it mere coincidence that the Soviet forces were the liberators of Prague, while the American forces were ordered to halt at Pilsen, some 50 miles away?

We have, Mr. President, appropriated thousands of dollars to investigate war contracts of persons who were thought to have committed frauds in the production of the implements of war, but as yet we have not dared to peek behind the curtain which hides the international contracts and agreements and their execution. I submit that investigation in this realm will make the frauds of war contractors seem like child's play. These may appear to be rash statements, but I challenge the Foreign Relations Committee and the Senate itself to test them against what is hidden from our view but could, through the insistence of this body, be revealed.

Mr. President, I say, in conclusion, that if the Senate of the United States is to maintain the respect and confidence of the American people, which it has enjoyed for over a century and a half, the Senate will relentlessly insist that there be brought to light the full text of all international agreements, decisions, and understandings which have been entered into on behalf of the United States in the course of the last several years, and then let the chips fall where they may.

Now, Mr. President, I go back to the eloquent opening address made by the chairman of the Committee on Foreign Relations, the senior Senator from Michigan [Mr. VANDENBERG], because he so thoroughly agreed with what I have just been saying. Toward the end of his address the distinguished Senator made this statement:

Third. This act depends, again, for its success upon the prompt restoration of western Germany to an effective place in the economy of Europe and the world. It must be decentralized. It must be demilitarized for keeps. But it must be restored to decent hope and productivity. The western occupying powers must quit their indecision and put Germany wholesomely at work again without delay. The Ruhr alone could spell the difference between success and failure.

Mr. President, time and time again we have been told by our experts that if Germany goes communistic all of Europe will go communistic. I submit, in view of what I stated a few moments ago, that frequently by our actions we have hurt them instead of helping them.

Consider the denazification program in Germany. It has been in progress now for 2 years. A little while ago there were still a million to be denazified, and when a man or woman has been denazified, it does not mean he or she is through, because if other complaints are made, they have to be denazified a second or third time. Over there school teachers, ministers, professors who have been high in the universities, are still locked up in some of the camps waiting to be denazified, and they cannot even get jobs.

In a political campaign a few years ago Frank E. Gannett, of Rochester, N. Y., was a candidate for President, and I believe he received 79 votes on the first ballot. That is my recollection.

I hold in my hand a communication I received this morning from Mr. Gannett, a statement which I believe to be of tremendous interest, relative to the Marshall plan. He says:

Seldom has there been before Congress an issue as important to the future of America as the Marshall plan.

This eminent statesman, whether we agree with him or whether we do not, but who at least in America is considered by some as one of the outstanding authorities on those things in which he believes, states:

Some eminent persons have discussed the question. We are familiar with the arguments that have been advanced. And I hope you will not be misled by the propaganda that has been let loose upon the Nation.

These facts cannot be overlooked.

1. No amount of money that we may pour into Europe can stop the spread of communism.

2. The large sums that we have poured into Czechoslovakia through UNRRA did not save that country; the government was taken over by a minority, 38 percent.

3. We have, according to the President, spent \$15,000,000,000 in Europe. To what advantage?

4. We are now asked to send more money, or war material, or men, to Greece. Will the begging never end? Are we already in World War III in Greece?

5. Five hundred million dollars are now asked for China. I was in China last summer, and became convinced that money cannot save the Chinese Government.

6. Our resources are not limitless. We can raise these staggering sums from only two sources; from additional taxes upon the overburdened taxpayers, or by running the printing press, causing inflation, and reducing the value of our dollar.

7. Do you realize what \$1,000,000,000 is? If we printed a dollar every minute of the day and night, it would take 2,000 years to print \$1,000,000,000. To print \$17,000,000,000 would require 33,000 years.

8. Anyone who reads the financial pages today sees alarming, dangerous symptoms and signs of an approaching depression. It is no time to spend—or commit ourselves to spend—billions in Europe, when we face a serious financial problem here at home.

9. With the Russian situation very tense, it is time to put our own house in order, to make America prosperous and strong enough to save itself. Only then can it hope to help the world. We must not weaken ourselves with costly and futile efforts in any direction.

Mr. President, I address myself now to the distinguished acting majority leader. It is now after 5 o'clock, and I had thought I would start earlier today than I was able to. I ask unanimous consent that I be allowed to take the floor and complete my remarks when the Senate meets tomorrow.

Mr. WHERRY. If it is the desire of the Senator that he discontinue now and proceed tomorrow to complete his remarks, that is agreeable.

The PRESIDING OFFICER. Without objection, the order is entered.

Mr. MALONE. Mr. President, in view of the fact that my remarks relative to the Marshall plan and our foreign policy were extended over a couple of days last week, March 4 and 5, which normally would have required probably 20 or 25 minutes to deliver except for the extended debate, I ask unanimous consent to insert in the RECORD a summary of my address as a part of my remarks at this point.

The PRESIDING OFFICER. Following the present statement the Senator is making?

Mr. MALONE. Yes.

The PRESIDING OFFICER. Is there objection?

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

PEACE AND SAFETY OF THE UNITED STATES

1. The peace and safety of this Nation is seriously threatened, through the complete absence of a definite foreign policy, telling our own people and the nations of the world what we consider will threaten our ultimate peace and safety, and the complete absence of a military organization spearheaded by an air corps to enforce our pronouncement.

2. The basic subject of foreign policy has never been discussed with the American people, through two world wars, and now the Marshall plan is in the same category. The basic subject at issue is now, as it was in 1823 when the Monroe Doctrine was established to protect South America and the Western Hemisphere from encroachment from the European empire-minded nations, What areas, and naming the nations in the European and Middle East areas including Asia and the South Seas, is it necessary for us to currently protect for our own ultimate safety? Until this decision is made no plan to make it effective can be intelligently discussed.

I challenge the State Department to name the nations of the 56 member countries of the United Nations Organization, whose integrity we must currently protect for our own ultimate safety, to tell the world and the American people the truth, so that any empire-minded nations may be apprised of our intentions and thus avoid what could well develop into a third devastating world war, and that our own people may prepare for their own defense, through rebuilding our military organization spearheaded by an air corps that could keep any other nation on the ground in the event of war.

HUNGRY PEOPLE—COMMUNISM—REHABILITATION OF INDUSTRY

3. It is impossible to consider the feeding of hungry people—the stopping of communism—and the rehabilitation of industry as one subject. We only confuse ourselves.

As a result we mix our emotions with the facts and become unwilling victims of the greatest propaganda machine ever established in Washington; let us take them one at a time:

(a) Feeding emergency hungry people of Europe or of any other area is a matter of charity and must be so considered apart from other considerations. The Congress of the United States has appropriated nearly \$1,500,000,000 during the last 12 months for that purpose alone, and has appropriated \$24,000,000,000 and handed it to the nations of the world without hope of repayment since the close of World War II in 1945.

The December 1946 appropriation of \$597,000,000 is expected to last into March of this year; and the Congress is ready to consider further reasonable gifts for food, until Europe completes its third crop, to the extent that our own resources will withstand the impact without further inflation.

(b) Stopping communism through protecting the integrity of the nations of the world that we decide, after full discussion and study, we must currently protect for our own ultimate safety, is a matter of our own integrity and frankness with our own citizens—and with the nations of the world.

If we should decide, after full consideration of our experience through two world wars—and our improved methods of defense and offense—that a threat to the integrity of any member nation of the United Nations Organization, by any other nation would constitute a threat to our ultimate safety—then President Monroe's exact words could be utilized in announcing an extension of the established Monroe Doctrine, leaving out any reference to the Western Hemisphere, and say, in effect, to the world and to the American people that:

"We owe it therefore to candor, and to the amicable relations existing between the United States and those powers, to declare that we should consider any attempt on their

part to extend their system, as dangerous to our peace and safety."

We should then build at once a military force, spearheaded by an air corps that would bear silent evidence to all concerned that we were ready and able to enforce the extended doctrine, just as we have enforced the original Monroe Doctrine covering the western hemisphere for more than 125 years, and which has kept us out of a major war for more than 75 years.

The Congressional Air Policy Board has recommended a long-range military plane purchase program, which would provide a 35,000-plane striking force costing \$16,800,000,000 over a 5-year program. The President's air policy board's recent report closely parallels this document.

The Armed Service Committees of Congress should immediately check these reports and if found correct recommend their adoption and the appropriation of the necessary funds by the Congress of the United States for the entire 5-year program.

Congress could apply the Marshall plan 4-year funds of \$17,000,000,000 to the \$16,800,000,000 5-year plane purchase program and have approximately enough left to continue the necessary European nations' feeding program until they raise a third crop and to furnish the necessary funds to the RFC or the World Bank for the rehabilitation of the European nations' industry under the Reconstruction Finance Corporation rules, as applied to American citizens.

(c) The rehabilitation of the industries of the 16 Marshall plan European countries, entirely separate from feeding hungry people, can then be accomplished as a purely business transaction in the same manner as such industrial plants were financed in this country by the Reconstruction Finance Corporation during depression and World War II years.

A reasonable amount of money, say \$1,000,000,000, could be appropriated and made available to the RFC or to the World Bank for that specific purpose, simply providing that the RFC rules and regulations be applied to any foreign-business loans.

Their rules provide for an investigation of the feasibility of such an industry by an experienced investigator in the respective field, with an estimate of cost, together with a list of the needed machinery and supplies. They further provide for a lien or mortgage to be taken on such equipment—the stock or shares of the existing organization to be hypothecated as additional security for such loan, and then the signature of the applicant is required.

It will prove a pleasant surprise to both the Congress and to the State Department the relatively small amount of funds that the European nations will require for industrial plant refinancing, if such loans must be secured on a business basis.

4. The entire thesis and point of my argument is that the feeding of hungry people, whether located in this or any other nation—the international policy of protecting the integrity of foreign areas in the interest of our own ultimate safety—and the rehabilitation of industrial plants in such foreign nations, must be considered separately to make sense and to be understood by our own people.

The extent that we can and should feed the hungry people of the world—and the amount of money we may loan for rehabilitation of industrial plants on a business basis throughout the world—is the particular business and responsibility of the Congress of the United States—while the international policy, the determination of the areas and nations of the world that we must currently protect for our own ultimate safety is a State Department matter.

5. On March 4 the London Evening Standard (Lord Beaverbrook) said editorially, "that the nation's Socialist government is

sitting back to await another American hand-out and thus save its nationalization schemes."

It said further that "to accept more dollars when the experience of the first dollar loan proved so disastrous would be blind folly." It may be understood—and I found the English people divided at the time of my visit there in November 1947—that the English people are far from agreeing as a unit upon the advisability of their own nation accepting further gifts from this country—many feeling that such gifts merely retained the Socialist government in power.

6. General Wedemeyer, in agreement with General MacArthur, testifying before the House Foreign Affairs Committee on March 4, said, "I don't believe dollars alone will stop the spread of communism anywhere in the world." General Wedemeyer further testified—and General MacArthur had previously wired substantially the same statement to the committee—that "I predict that if we don't take appropriate steps to stop this communistic conflagration, we are going to pay in blood."

Neither agrees with General Marshall when he continues to suppress the year-old Wedemeyer report on China and recommends a purely economic program totaling \$570,000,000 for that nation. We have no reason to suppose that General Marshall is more nearly right when he recommends a purely economic approach to the European problem than he has been in China.

7. Spokesmen for the Marshall plan bill made the shocking admission that the amount asked for during the first 12 months was arrived at by determining the total unfavorable trade balances of the 16 Marshall-plan countries for that period with all of the countries of the world and providing them with the necessary cash to continue their unbalanced operations regardless. We simply export to them the necessary cash to make up the deficit, which, I submit, is a dangerous precedent, and if such a policy is to become our accepted method of dealing with the areas necessary to our ultimate safety, why are not the Middle East, Asiatic, and South Seas areas included, which competent authorities may decide are also necessary for our own safety? It is also an open invitation for unbridled spending on their part with assurance that this country will pay their bills.

8. The sponsors of this legislation have also said that a large amount of the funds advanced to foreign countries will be returned in the form of strategic and critical minerals and materials, indicating that we are now appropriating the money for which we would import the necessary strategic and critical minerals and materials with no thought or safeguard against closing our own industries in these fields through competition provided by appropriations by our own Congress.

An analysis of this statement shows that to get back one-third of the \$17,000,000,000 would require the importation of approximately \$120,000,000,000 worth of such strategic and critical minerals and materials, since naturally such debtor countries could only return their net profit on producing such materials, which would probably not exceed 5 percent. If this were done, which is very unlikely, it could result in shutting down all of the strategic and critical mineral industries, including the textile industry, of the United States for approximately 25 or 30 years. There is no strategic or critical mineral available in Russia that cannot be secured elsewhere just as readily.

9. The provisions of trade agreements already signed and in operation between the United Kingdom and Soviet Russia, and Belgium and Soviet Russia, provide for furnishing fabricated steel and other goods direct to the U. S. S. R. and it is well known that we are at this time shipping from 6 to 8 tons of steel to these European coun-

tries and that such trade agreements could well prove to be a "manufacturing in transit" rate meaning that the raw steel from this country would find its way direct into the U. S. S. R. in the form of fabricated and manufactured steel goods and materials.

10. It is impossible to stabilize trade or currencies in Europe as long as they continue the established practice of manipulating the value of their currencies to favor their own particular country, and as long as the empire-minded nations, with particular reference to Great Britain, follow their established practice of directing trade to the "mother" countries through their empire-preferential rates and the use of the sterling bloc.

11. There is a grave question as to whether the Congress of the United States can create additional purchasing power by making appropriations for gifts to foreign nations above the amount required to meet the cost of our own Government each year, unless there is comparable increase in our production. This was thoroughly illustrated in the \$3,750,000,000 loan to England in 1946, when almost immediately they complained that due to subsequent inflation their estimates of the amount that could be purchased for the loan was almost cut in half. Any further such appropriations would probably have the same general effect.

12. Truth and integrity are the commodities badly needed in the world today. If the United Nations, our own State Department, and the Congress of the United States would bend their efforts toward reestablishing the integrity of private investments throughout the other 56 member nations of the United Nations, in the same manner as we respect the investments of their nationals in this country, then many of the pressing industrial problems would be automatically solved through such private investments.

This is the same administration that:

(a) Recognized the country, about which they are now complaining, in 1933 without any safeguards whatever.

(b) Continued to ship the oil and scrap iron to Japan almost up until Pearl Harbor.

(c) Always claimed prior to World War II that military help was not necessary; that furnishing the money and equipment to the enemies of Germany would do the job.

(d) They are now claiming that the Marshall plan may well stop any threat to the integrity of any other nation in Europe, while competent military authorities have presented their testimony to congressional committees that without military assistance loans will be of little value.

13. The administration has treated General de Gaulle, of France, like a stepchild from the beginning of World War II and has generally opposed his authority in France, while at this moment he is recognized in that country as perhaps the strongest man and that he is at this moment asking for the military help of this country on the basis that little else will be of value.

14. The \$17,000,000,000 asked for under the Marshall-plan bill, added to the \$24,000,000,000 already expended throughout the world since World War II, added together is \$5,000,000,000 more than the assessed valuation of the entire 11 Western States and the 11 Southern States combined, and all of this expenditure made without any definite international policy.

15. The additional \$17,000,000,000 for the Marshall plan, as requested from Congress without any agreement or treaty with the separate nations involved in the matter of a nonaggression pact such as has been consummated with the South American countries, and in the face of a definite statement made by leaders in England, that they were undecided as to what action they would take in the event of a war between United States and Russia—that what they wanted to do was to become the bridgehead between communistic Russia and capitalistic United

States—and without any definite statement of international policy by the State Department as to what areas it is necessary for us to currently protect for our own ultimate peace and safety.

16. Seven of the sixteen Marshall-plan countries are more than 100 percent recovered, compared to the 1937 industrial index—England 115 percent, Denmark 117 percent, Norway 122 percent, France 106 percent, Ireland 109 percent, Sweden 107 percent, Switzerland 101 percent, and all others are well on the way to such recovery, with the exception of Germany and Austria, which are listed as 42 and 50 percent, respectively.

17. Sir Stafford Cripps was very frank in our London discussions last November—that they do not require the Marshall plan gift so much for England, but needed the money for building up their colonial possessions, particularly in Africa where they want to build up new industry including transportation systems—and opposed my suggestion that private investments from my own and other countries might largely undertake the necessary development if the integrity of such investments could be assured.

18. Mr. Monnett, of France, was also very frank in his outline of the Monnett 5-year plan—that their Government wants the Marshall plan money to purchase power-plant equipment and other new industrial plants to be installed and to be owned by the Government. They are not interested in guaranteeing the integrity of private investments for that purpose.

In addition Mr. Monnett was very clear that they expect to be furnished much of the raw materials free through the Marshall plan.

19. The American people have not been advised that many of the Marshall plan countries have driven more local money underground in their own countries through their nationalization and socialization schemes than they are asking for under the plan. Also that the nationals of the Marshall plan countries have nearly as much invested in this country as they are asking for, and in addition have effectively stopped all private investments from this Nation by the same official nationalization policies.

The American people have not been advised that the German steel production has been held to under 4,000,000 annual tons from a near 24,000,000 tons, and that the German plants could be utilized to produce an additional six to eight million tons which we are now shipping to Europe, and in that event could hold our steel here and overcome the spot oil shortage and cease forcing our own steel companies to expand their production.

20. There can be no effective bipartisan foreign policy first, until there is a definite foreign policy, and second, there can be no bipartisan foreign policy starting at the water's edge until the State Department stops its activities at the water's edge. It now largely controls national policy through the reciprocal trade act and its many ramifications through Executive orders and departmental edicts.

Mr. MALONE. Mr. President, I further ask unanimous consent that there be printed in the RECORD at this point in my remarks an outline of the trade agreements made between the Marshall-plan countries and eastern Europe. This has particularly to do with the Netherlands agreement with the countries behind the iron curtain.

The PRESIDING OFFICER. Is there objection?

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

TRADE AGREEMENTS BETWEEN MARSHALL-PLAN COUNTRIES AND EASTERN EUROPE

We have already reported the fact that England and Belgium have trade agreements

with Russia and are shipping steel and products made of steel to Communist Russia.

Further investigation reveals that France has a trade agreement with Russia and trade agreements with seven other countries in eastern Europe which are dominated by Communist Russia. These seven other countries are Bulgaria, Finland, Hungary, Poland, Rumania, Czechoslovakia, and Yugoslavia.

Appendix I shows the date these agreements were entered into and the expiration date of the agreements.

Although the Netherlands do not have a trade agreement with Russia itself, they do have trade agreements with the following seven countries which are dominated by Communist Russia entirely, plus Austria and eastern Germany, which are partially dominated by Russia.

The seven Communist-dominated countries with which the Netherlands has trade agreements are as follows: Bulgaria, Finland, Hungary, Poland, Rumania, Yugoslavia, and Czechoslovakia.

The Department of Commerce is engaged in analyzing these trade agreements to see whether steel and products made of steel are being shipped from the Netherlands to the various countries concerned. Not all of the trade agreements have been made public. The trade agreements between the Netherlands and Bulgaria for the period from June 1, 1947, to May 31, 1948, shows that the following products, among others, are being shipped to Bulgaria: Electrical material, radio articles, various chemical products, ships, rubber, and transport material (including auto-busses and Diesel motors).

When the Department of Commerce sends us its analysis, we shall forward same immediately.

APPENDIX I

Trade agreements with eastern European (iron curtain) countries

FRANCE

Country and type of agreement	Date concluded	Expiration date
Bulgaria: Trade and payments agreement.....	June 10, 1947	June 15, 1948
Finland:		
Payments.....	Feb. 2, 1946	Mar. 1, 1949
Trade agreement.....	Mar. 14, 1947	Feb. 2, 1948
Decision of mixed commission.....	Sept. 22, 1947	Do.
Hungary:		
Payments.....	Nov. 22, 1947	Oct. 31, 1948
Trade agreement.....	do.....	Do.
Poland:		
Payments.....	Aug. 1, 1946	Aug. 1, 1950
Trade agreement.....	Aug. 20, 1947	Aug. 31, 1948
Rumania: Trade arrangement.....	July 6, 1946	(1)
Czechoslovakia:		
Financial.....	July 29, 1946	July 29, 1949
Trade arrangement.....	do.....	
Decision of mixed commission.....	Feb. 3, 1947	(2)
Do.....	July 29, 1947	
U. S. S. R. (Russia): Commercial arrangement.....	Dec. 29, 1945	May 1, 1951
Yugoslavia:		
Payments agreement.....		
Commercial agreement.....	June 12, 1946	Apr. 30, 1948
Prolongation of agreement.....		

¹ Not specified.

² Dec. 31, 1947 (extended to Apr. 1, 1948).

NOTES

The trade agreements listed above are short-term agreements (usually 1 year) but were concluded with the idea that they would either be prolonged at the end of the period or replaced by a revised agreement altering the lists of products to be exchanged. They are in most cases accompanied by payments agreements which generally provide that clearings accounts are to be set up with no actual transfer of cash except of amounts needed to balance the 2 sides of the account (or, in some cases, payment only when the balance exceeds a stipulated amount in favor of one or the other party). Payment agreements are sometimes of longer term than the commercial agreements, indicating the expectation that the latter will either be replaced by another before the expiration date or prolonged in its original form.

Trade arrangements differ from trade agreements in being of a somewhat more comprehensive nature. The arrangement with Russia, for example, involved reciprocal tariff treatment, navigation, and the status of legal and physical persons engaging in the trade; that with Rumania provided for improvement of transportation facilities as well as with commodity exchanges. The trade arrangement with Russia differed from most of the other arrangements and agreements in not specifying lists of commodities to be exchanged.

Decisions of mixed commissions in the above table are changes effected during the life of an agreement usually a revision of the lists of products to be exchanged.

Mr. WHERRY. Mr. President, in the Evening Star of yesterday there appeared an article written by Richard L. Stokes entitled "Nations on United States Aid Lists Are Far From Mendicants. Only Three Countries Designated for Help Would Probably Perish Without It; Eight Already in the Black."

I think this article should be read by every Senator. Mr. Stokes very forcefully sets out that—

A country able to survive in postwar Europe should succeed anywhere, at any time. On that theory, statesmen and economists are hoping to draw some kind of lesson from the Marshall plan group, consisting of 16 Paris Conference nations and western Germany.

It has been repeated here time and again, and the statement goes forth to the country, that unless money is subscribed to all 16 of the nations in Europe and aid is sent to them, they will fall, that there will be nothing left of the 16 or 17 countries which make up the nations of western Europe. Mr. Stokes very forcefully points out that Switzerland, Portugal, and Turkey are in excellent condition.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. WHERRY. In a moment. I suppose the distinguished Senator from Massachusetts will now say that they are not to get aid, that they will be eligible for loans.

Mr. LODGE. Will the Senator from Nebraska permit me to express my ideas in my own words?

Mr. WHERRY. That they will be eligible for loans. Now will the Senator please express the idea in his own words?

Mr. LODGE. I notice that the Senator from Nebraska says that the word is going out all the time that these 16 nations are in desperate condition and need help. It is not going out from me and it is not going out from the Foreign Relations Committee. There are enough difficulties in this problem; there are enough legitimate objections to it. The whole world is creeping toward the abyss fast enough without dragging any red herrings across the path. We do not need to do that. We have enough trouble as it is. It is obviously true that Portugal is in good shape, that Switzerland and several other countries are in good shape.

Mr. WHERRY. And Turkey is in good shape.

Mr. LODGE. What?

Mr. WHERRY. And Turkey is in good shape.

Mr. LODGE. Yes; Turkey is in good shape.

Mr. WHERRY. And it is also true, is it not, that Belgium, Denmark, Luxembourg, and Sweden are in good shape?

Mr. LODGE. And it is precisely for that reason that they are not going to get any gift under the Marshall plan. Why not be candid about this thing and not drag red herrings around, and pretend that we are going to give a lot of

money to Switzerland and Portugal when it is a fact that we are not going to do any such thing?

I thank the Senator from Nebraska for yielding to me in such a generous manner.

Mr. WHERRY. Mr. President, I want to compliment the distinguished Senator from Massachusetts for the able work he has done on the Committee on Foreign Relations; but I wish to say that it is not my purpose to drag red herrings across the road on which we are now traveling in the matter of aid to Europe. It seems that when anyone rises to his feet and even intimates that he could say anything that would be at all in contradiction to the report of the committee, or what it has done, some Members feel that it means tramping upon their toes, and that they should rise and defend each and every act and every bit of work done by the committee.

I did not say that the story originated with the Senator from Massachusetts [Mr. LODGE] or with the Senator from New Jersey [Mr. SMITH] or even with the Foreign Relations Committee. I said word has been broadcast over the country that all sorts of direful things may happen to these 16 nations which need aid. I submit that is a practical statement, and it is a truthful statement.

I will put it this way, Mr. President, that the supposition is very strong that all these nations are going to fall, and that unless they receive aid through the Marshall plan it is all over, and the only alternative is too terrible even to contemplate. That is the theory.

Now I should like to say to my distinguished and able friend from Massachusetts, for whom I have the highest regard, that the article to which I am referring sets forth in a very forceful manner a situation which is entirely different from that. I think the article is very fair in its approach. As I understand, the article does not oppose the Marshall plan. The writer of the article gives his ideas respecting the conditions of some countries and their need for aid. The writer says that the countries he considers to be in excellent condition are Switzerland, Portugal, and Turkey.

I think the distinguished Senator from Massachusetts will recall that when he was in Switzerland last year he found it to be the only country in Europe where he had to discount the dollar. Is it not correct that Switzerland was the only country of Europe in which the dollar was at a discount? One could not get 100 cents on the dollar?

Mr. LODGE. That is perfectly correct, yes, and I hope the Senator from Nebraska will agree that we cannot integrate Europe without integrating all the nations of Europe.

Mr. WHERRY. The writer says that Switzerland, Portugal, and Turkey are in excellent condition. He says that there are only three countries which are likely to fall in the event aid is not forthcoming. He says that already eight of them are in the black so far as restoration is concerned. The writer says that countries which are in good shape are Belgium, Denmark, Norway, Luxemburg, and Sweden.

He says countries in a rather difficult situation are the Netherlands, Ireland, and Iceland.

Mr. LODGE. What is the authority on which he bases his statement?

Mr. WHERRY. The writer says the countries in poor condition are the United Kingdom, France, and Italy. I agree that from my own observations possibly the United Kingdom, France, and Italy are in what I would call a desperate situation, but even though the Marshall plan should fail, still negotiations could be carried on between the United States and those three countries to see that they were brought out of the dark and into the light by giving them aid, even if the Marshall plan did not succeed in doing so.

Mr. LODGE. Will the Senator tell us the authority from whom he is reading.

Mr. WHERRY. I stated in the beginning of my remarks that I only asked to place in the RECORD an article written by Richard L. Stokes in the Sunday Star, giving his version of the situation in Europe, and what nations he thought needed aid, and that his conclusion is that they are far from being mendicants.

Since the Senator raised the question respecting the authority from which I quoted, I will say that I also read completely the report issued by the Committee on Foreign Affairs of the House. If the distinguished Senator from Massachusetts has read it he will agree with me that its recommendations are almost in line with what is set forth in the article. I will bring the report to the Senate and place some of it in the RECORD, because I feel that the public is entitled to know all the aspects of the question. I believe that the impression which has gained headway throughout the whole United States that these 16 nations are in such a terrible plight really does not reflect the actual situation of some of the countries.

Mr. President, I ask that at this point in my remarks there may be printed the article written by Richard L. Stokes and published in the Sunday Star. I recommend that all Members of the Senate read the article.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

NATIONS ON UNITED STATES AID LIST ARE FAR FROM MENDICANTS—ONLY THREE COUNTRIES DESIGNATED FOR HELP WOULD PROBABLY PERISH WITHOUT IT; EIGHT ALREADY IN THE BLACK

(By Richard L. Stokes)

A country able to survive in postwar Europe should succeed anywhere, at any time. On that theory, statesmen and economists are hoping to draw some kind of lesson from the Marshall-plan group, consisting of 16 Paris conference nations and western Germany.

Contrary to what may be a common impression, they by no means form a homogeneous crew of mendicants. Eight of the seventeen peoples have passed already to the credit side of the ledger. Six others expect to reestablish themselves in the next few years. Only three are in straits so hazardous that most likely they would perish without American aid.

FALL IN FIVE CATEGORIES

Such are the conclusions to be drawn from a study of the State Department's recent re-

port, in 17 volumes, upon the European Recovery program. In exhaustive detail are recorded the past, present, and prospective circumstances of each participating region.

According to relative stages of well-being, the countries may be divided into five categories. In descending order, they are as follows:

1. Excellent: Switzerland, Portugal, Turkey.
2. Fair: Belgium, Denmark, Norway, Luxemburg, Sweden.
3. Difficult: The Netherlands, Ireland, Iceland.
4. Poor: United Kingdom, France, Italy.
5. Desperate: Greece, Austria, western Germany.

Taking the eight countries of the two upper groups, it may be observed that they have three factors in common:

Their economies suffered little or no war damage.

Their political governments are notably stable.

They have no Communists or only futile Red minorities.

MADE MONEY ON WAR

Switzerland and Portugal remained neutral throughout the war. Turkey did not join hostilities against Germany and Japan until February 21, 1945, 2½ months before VE-day. All escaped war damage and turned the conflict to profit. They are the only Marshall plan countries which are expected to pay cash in full for benefits received and to reinforce the United States in extending credit.

With brief interruptions, the Swiss Confederation has endured four and a half centuries. Portugal's Prime Minister, Antonio Salazar, has been in power for 24 years. Turkey's President, Ismet Inonu, is serving his fourth 4-year term. Portugal is a single-party corporative state, and Turkey a democracy with absolutist overtones. Switzerland is a bourgeois republic devoted to free enterprise. Its Government is dominated by conservative business and agrarian interests.

The Communist Party has been outlawed in Turkey and is illegal in Portugal. There are seven Communist deputies in the lower house of the Swiss Legislature. In the upper chamber there is none. The three most prosperous nations in the Marshall plan group are not merely non-Communist but anti-Socialist.

TURKS DENY SOLVENCY

Portugal has served notice that it will require no financial help under the European recovery program, and will extend credits to member nations purchasing its exports. Switzerland has asked no monetary aid and is expected to request none. It has granted credits of \$145,000,000 to the United Kingdom, France, Belgium, Luxemburg, the Netherlands, and Norway. Its standard of living is the highest on the Continent. The only currency in the world against which the dollar sells at a discount on the open market is the Swiss franc.

Turkey is accused of solvency by the United States, but has repelled the charge with indignation. Its circumstances would be flourishing, acknowledgment is made, if the Government were not compelled to devote half its budget to military defense. During the war 600,000 troops were maintained under arms. By geographical position, Turkey is custodian of the Dardanelles and next-door neighbor to the Soviet Union. On top of that, its principal treasury holdings are pounds sterling, which are no longer convertible into dollars. The State Department hopes, nevertheless, that Turkey will be able to offer moderate credits to some of the participating countries.

No cash outlays are earmarked for Switzerland, Portugal, and Turkey under tentative proposals for the distribution of Marshall

plan funds during the first 15 months. Compared with the over-all estimate of \$6,800,000,000, allotments for the five countries rated as enjoying fair recovery are bagatelles—Sweden, \$33,000,000; Norway, \$34,000,000; Denmark, \$164,000,000; and Belgium-Luxemburg, \$323,000,000.

BELGIUM MOST PROSPEROUS

A neutral and profit-taker during the war, Sweden has a stable government, unendangered by domestic Communists. Its chief difficulty, which a few millions will counteract, is imputed here to unwise fiscal measures which depleted its hard currency assets in a giddily brief period. Under Nazi occupation, the four other countries of this group were treated with studied benevolence. Their industrial and agricultural facilities emerged almost intact. Norway, the worst sufferer, lost half of its merchant fleet, a key factor in its economy, but the ships are being replaced.

All of these countries, except Luxemburg, have already driven production beyond prewar levels. With 1938 taken as basic, the 1947 percentages for Denmark, Norway, and Sweden were respectively, 133, 117, and 125. The figures for Belgian textile and iron-steel output were 108 and 110. With ample food and light goods, Luxemburg is known as the consumers' paradise.

The most prosperous of the group is Belgium. Unlike Britain, France, and the Netherlands, it has experienced no colony trouble. The Belgian Congo supplies the mother country with gold and uranium, for the latter of which there is a bottomless dollar market. Unlike many other European currencies, the Belgian franc's depreciation has not been too drastic. It was valued formerly at a bit more than 3 cents. The official rate is now 2.3 cents.

HOLLAND HARD HIT

The fact that all these countries are constitutional monarchies may have some bearing on their undoubted political security. Belgium, Norway, Sweden, and Denmark are kingdoms. Luxemburg is a grand duchy. All are ruled by strong right-wing Socialist coalitions, with mere fringes of opposition at extreme left and right.

On descending to the third group, the circumstances of which are listed as difficult, one encounters in the Netherlands the first case of severe war damage, and in Iceland the first important Communist influence.

Of all the countries in western Europe, Holland was most ruthlessly despoiled by the Nazis, in reprisal against its indomitable underground. The country has since lost its great German market and its income from the rubber plantations and tin mines of the Dutch East Indies. The initial Marshall plan allotment for the Netherlands is \$705,000,000, fifth highest in the scale. Holland and Britain are today the foremost exemplars of the policy of salvation through austerity.

According to the formula outlined above, Ireland should rank in prosperity with Switzerland, Portugal, and Turkey. It underwent no war damage and has few if any Communists. But the Emerald Isle is nothing if not paradoxical. Politically it is hostile to England. Yet Ireland's economy is bound directly to the British treasury. The fate of the Irish pound is tied to that of the pound sterling. England's restrictions on imports have worked havoc with Ireland's market. Its first Marshall plan quota is \$152,000,000.

FOURTH GROUP THE PROBLEM

Iceland also experienced no war damage. But its government of merchants, farmers, and Socialist workmen is confronted by strong Communist opposition. Using the familiar tactic of boring into labor unions, the Communists of Iceland, though ousted from the government, exert a power out of

ratio to their number. American troops stationed in Iceland during the war left it overflowing with money but without sufficient goods for which to spend it. The result is an acute attack of inflation. Only its small population of 133,000 limits the island's first Marshall plan allotment to \$13,000,000.

With the fourth group of countries, the status of which is rated as poor, one arrives at the heart of the foreign-aid problem. The United Kingdom, France, and Italy are slated to receive nearly two-thirds of Marshall plan funds. Without them over-all estimates for the first 15 months would be only \$2,800,000,000.

France suffered widespread physical damage from the war. In Italy it was grievous. Both are notoriously unstable in politics. They possess the largest Communist parties outside Russia. Great Britain, on the contrary, is politically sound and is menaced by no Communist coup from within. But it was a war victim on a colossal scale, particularly in the theater of finance.

UNITED KINGDOM DOWN FOR LION'S SHARE

Britain's trade recovery may be described as phenomenal under the circumstances, but its precarious financial position was shown by the truth that last year its adverse foreign balance reached an all-time high of \$2,400,000,000. The cause of this giant deficit may be stated in simple terms. Britain draws 42 percent of its imports from the two American Continents, and sends only 14 percent of its exports to Canada, the United States, and Latin America. In other words, it is compelled to buy in hard-money countries and sell in soft-currency ones—and that at a moment when its gold and dollar resources are well-nigh bankrupt.

For the above reasons American observers regard Britain's restoration to be the most arduous of all foreign-aid problems, not excluding Germany, and the one most likely to remain chronic. On that account Britain's quota for the first 15 months of the Marshall plan is a lion's share of \$1,760,000,000, or about one-fourth of the whole.

France has one capital advantage over most of the Paris Conference countries. Normally it is close to self-sufficiency in production of food. But from one of the best-fed nations in the world it has become one of the worst—owing in part to political turbulence growing from the fact that the French Communist Party has been impressed as chief spearhead of Russian aggression in western Europe.

Other factors in the national plight were wholesale looting by the Nazis, grave war damage, bad weather, shortage of labor, raw materials, and fertilizers, and in particular a steep rise of foreign-trade deficits which compelled France to liquidate \$2,000,000,000 of its capital resources. It has already obtained \$2,026,000,000 in credits from the United States, and is to receive \$1,434,000,000 more as its first Marshall plan allotment.

TRIBUTE TO FRENCH COURAGE

In view of these difficulties, there is a tribute to French courage and steadfastness in an official report that the general index of industrial production rose in 1947 to 102 percent of the prewar level. In some fields—such as electricity, the metalworking, and glass industries and chemicals—the figures of increase ranged from 101 to 130. This was offset by a decline of consumer-goods output and so low a production of food that only American help averted catastrophe.

Despite tribulations worse than those of France, Italy managed by desperate effort to push its industrial production up to 80 percent of the 1938 level during the third quarter of 1947. But the record was struck down by strikes fomented by Communists in obedience to Moscow's command that the recovery program must be wrecked. Like France,

Italy is plagued by shortage of raw materials and fuel, decline of food output and foreign-trade deficits. It bears the added burden of excessive overpopulation. The initial Marshall plan estimate for Italy is \$869,000,000.

After allowance for bomb damage, the war left western Germany with an operable industrial plant greater than that of 1936. Daily coal production in the Ruhr-Aachen district rose from 158,000 tons in 1946 to 270,000 tons in November 1947. With factories, manpower, and skills at hand, the industrial restoration of western Germany is regarded as thoroughly practicable. But to get on its feet the area requires large-scale supplies of food and raw materials, a responsible currency and stable government.

LOWEST ON THE SCALE

Western Germany, Greece, and Austria, lowest in the scale of well-being and the most depressed economies in Europe, exhibit to an extreme the components of disaster. All are subject to intensive Communist pressure, which in Greece has mounted to civil war. Germany and Greece underwent fearful war devastation. Eastern Austria has been mercilessly plundered by the Soviets. The Government of Greece is dubious; Germany and Austria are distracted by warring occupation regimes.

It is reckoned that Austria, if let alone, would be steady politically and develop a sound economy. Western Germany is held capable of industrial output that in time would balance its imports of food and materials. But recovery for Greece, always the neediest country in Europe, is expected to be a long and difficult process. Fifteen-month quotas under the Marshall plan are as follows: Western Germany, including the French zone and Saar, \$1,005,500,000; Greece, \$186,000,000, and Austria, \$182,000,000.

To sum up, three of the Marshall plan countries require no more than allocations of imports, for which they can pay. Eight need only marginal assistance. The next three, which were formerly great powers, have struggled valiantly to climb erect, but will demand strong support for several years until they are able once more to walk alone. Western Germany, Austria, and Greece range from tragic to all but hopeless.

Mr. HOLLAND. Mr. President, will the Senator yield to me?

Mr. WHERRY. I yield.

Mr. HOLLAND. I have read with a great deal of interest the article to which the Senator has adverted, but I came to a completely different conclusion from the one which he seems to have reached.

Mr. WHERRY. Whom does the Senator mean; the writer or me?

Mr. HOLLAND. If the Senator will let me make my statement—

Mr. WHERRY. I have the floor.

Mr. HOLLAND. The Senator yielded to me.

Mr. WHERRY. I yield to the Senator, but I ask the Senator a question. The Senator made the statement that he came to an entirely different conclusion "than he." If the Senator means me, I did not come to any conclusion. I simply inserted the article in the RECORD.

Mr. HOLLAND. I was trying to ask a question. Apparently the Senator wants to ask me a question, which I shall be perfectly glad to answer. But I was going to ask the Senator a question. The conclusion which I reached from reading the article was that the writer made a very fine case for the possibility of mutual help among the nations of western Europe, because he divided them

into four classifications, saying that the first or most favorable groups were in splendid shape, and so on down the line to the least favorable situation, showing that there was ample room for self-help or mutual help amongst the nations of Europe. It seems to me that the classification in that article made a powerful case for mutual help amongst the nations. I was going to ask the Senator if he had considered the article from the standpoint that there was a real chance for some of the nations of western Europe materially to help others of them if they chose to come in mutually under the terms of the pending measure?

Mr. WHERRY. Mr. President, the article speaks for itself. I simply had it inserted in the RECORD for the information it contains. I did not insert it in the RECORD with the idea that I would come to any of the conclusions arrived at by the distinguished writer. I think it helped me to understand the situation as the writer presented it, and I thought it was certainly a worth-while article which it would be interesting to all Senators to read. I still think it is very interesting, and I know that it brought facts to my attention which should be discussed. I thought it was a very fine article.

Mr. HOLLAND. Mr. President, will the Senator further yield?

Mr. WHERRY. I yield.

Mr. HOLLAND. The purpose of my remark and my question was this: I understood the distinguished Senator to state—and I think he did state, and I think the RECORD will show that he stated—that a reading of the article brought to his attention the fact that some of the nations did not need help. In my question and in my remarks I was trying to ask the distinguished Senator if the article did not make clear to him, as it did to me, that there was an opportunity for the giving of mutual aid among the nations of western Europe. It seems to me that the article made very clear the point that great help could be extended by some of the nations of western Europe which are in favorable financial circumstances, to some other nations which are not, thus supporting the approach in the measure which is being debated.

Mr. WHERRY. No doubt that interpretation is possible.

Mr. HOLLAND. I am glad that the Senator agrees that that interpretation is a reasonable interpretation to place on the article.

Mr. WHERRY. In order that I may not be misunderstood, I will say that that is an interpretation which one could get from the article.

Mr. HOLLAND. I thank the Senator.

MESSAGE FROM THE HOUSE—ENROLLED BILL SIGNED

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the Speaker had affixed his signature to the enrolled bill (H. R. 2161) to amend the act entitled "An act authorizing the construction and operation of demonstration plants to produce synthetic liquid fuels from coal, oil shale, agricultural and for-

estry products, and other substances, in order to aid the prosecution of the war, to conserve and increase the oil resources of the Nation, and for other purposes," approved April 5, 1944 (58 Stat. 190), and it was signed by the President pro tempore.

RECESS

Mr. WHERRY. Mr. President, it is my understanding that an order was agreed to that when the Senate convenes tomorrow the distinguished Senator from North Dakota [Mr. LANGER] shall have the floor.

The PRESIDING OFFICER. The Senator from North Dakota obtained a unanimous-consent agreement to that effect.

Mr. WHERRY. If the Senate has concluded its work for this afternoon, I now move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to and (at 5 o'clock and 21 minutes p. m.) the Senate took a recess until tomorrow, Tuesday, March 9, 1948, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 8 (legislative day of February 2), 1948:

HOME LOAN BANK BOARD

Oscar Kent La Roque, of North Carolina, to be a member of the Home Loan Bank Board for the remainder of the term expiring June 30, 1949.

DISTRICT COURT OF THE VIRGIN ISLANDS

Hon. Herman E. Moore, of Illinois, to be judge of the District Court of the Virgin Islands of the United States. (Judge Moore is now serving in this post under an appointment which expired February 10, 1948.)

IN THE ARMY

APPOINTMENTS IN THE REGULAR ARMY OF THE UNITED STATES

To be major generals

Maj. Gen. John Taylor Lewis, O7000, Army of the United States (colonel, U. S. Army.)

Maj. Gen. George Price Hays, O7149, Army of the United States (colonel, U. S. Army.)

To be brigadier generals

Col. William Lynn Roberts, O3597, United States Army.

Col. Vernon Edwin Prichard, O3882, United States Army.

Col. Paul Vincent Kane, O4452, United States Army.

Col. Julian Wallace Cunningham, O4922, United States Army.

Col. Rex Webb Beasley, O5246, United States Army.

Col. John Lloyd McKee, O5613, United States Army.

IN THE AIR FORCE

PROMOTIONS IN THE UNITED STATES AIR FORCE

To be first lieutenants

First Lt. Joseph Cary Wheeler, AO50326, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 1, 1948.

Capt. Jack David Elliott, AO56455, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 1, 1948.

First Lt. Henry Simon, AO50325, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 1, 1948.

First Lt. Hubert Dale Ehrlich, AO50329, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 2, 1948.

First Lt. Robert Anderson Gambell, AO38437, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 2, 1948.

Capt. James Anthony DeYonker, AO56456, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 3, 1948.

First Lt. David Wallace Wicks, AO56458, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 4, 1948.

Second Lt. Edward Joseph Saylor, AO56457, United States Air Force, with rank from March 4, 1948.

First Lt. Richard Keith Brown, AO50331, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 5, 1948.

First Lt. Robert Benire McMurray, AO38445, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 5, 1948.

First Lt. Ruffin Walker Gray, AO38421, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 6, 1948.

Capt. Edward Patrick McNeff, AO56459, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 7, 1948.

Second Lt. Cornell Robert Christenson, AO50332, United States Air Force, with rank from March 7, 1948.

Capt. Charles William Getz 3d, AO56461, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 8, 1948.

First Lt. Herbert Leroy Pickett, AO56460, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 8, 1948.

Second Lt. Jack Allen Robinson, AO50333, United States Air Force, with rank from March 8, 1948.

Capt. Werner George Goering, AO38425, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 11, 1948.

First Lt. William Ralph Wright, AO50335, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 11, 1948.

First Lt. Russell James McElroy, AO56462, Air Force of the United States (second lieutenant, U. S. Air Force) with rank from March 11, 1948.

Second Lt. William Murray McDonald, AO50336, United States Air Force, with rank from March 11, 1948.

First Lt. Thomas Lowell Huddleston, AO56463, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 11, 1948.

First Lt. Aubrey Clinton Adcock, Jr., AO56464, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 11, 1948.

First Lt. Philip Fetter, AO50337, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 11, 1948.

First Lt. John Henry Griffin, AO56465, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 11, 1948.

First Lt. Donald Gordon Shirley, AO56466, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 11, 1948.

First Lt. Calvin Gilbert Bass, AO50338, Air Force of the United States (second lieutenant, U. S. Air Force), with rank from March 11, 1948.

Second Lt. Orin Emsley Nutting, AO50339, United States Air Force, with rank from March 11, 1948.

Second Lt. John Francis Jamieson, AO38424, United States Air Force, with rank from March 11, 1948.

Second Lt. Edward John Kinney, AO56467, United States Air Force, with rank from March 11, 1948.

Mr. MILLER of Connecticut. Mr. Speaker, I ask unanimous consent that all Members desiring to do so may extend their remarks at this point in the RECORD, on the death of Governor McConaughy.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

EXTENSION OF REMARKS

Mr. SMITH of Wisconsin asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. KEARNEY asked and was given permission to extend his remarks in the RECORD and include a statement on the thirtieth anniversary of the independence of Lithuania.

Mr. ENGEL of Michigan asked and was given permission to extend his remarks in the RECORD and include certain quotations from newspaper articles and committee hearings.

Mr. ROBERTSON asked and was given permission to extend his remarks in the RECORD and include a speech made by Gardner Cowles, editor and publisher of Look magazine.

Mrs. ROGERS of Massachusetts asked and was given permission to extend her remarks in the RECORD and include a letter from General Bradley regarding the cuts in the Veterans' Administration.

Mr. ANGELL asked and was given permission to extend his remarks in the RECORD and include an article entitled "Fuel Shortages Increase Columbia's Value."

Mr. KERSTEN of Wisconsin asked and was given permission to extend his remarks in two instances.

Mr. REEVES asked and was given permission to extend his remarks in the RECORD and include a statement by one of his constituents.

COMMITTEE ON PUBLIC WORKS

Mr. ANGELL. Mr. Speaker, I ask unanimous consent that the Subcommittee on Rivers and Harbors of the Committee on Public Works may meet this afternoon during general debate, and during general debate for the rest of the week.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. KERSTEN of Wisconsin. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include a letter.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

WE MUST STEP UP THE COAL PRODUCTION IN THE RUHR—FOOD WILL DO IT

Mr. KERSTEN of Wisconsin. Mr. Speaker, the basic need for the reconstruction of western Europe is coal.

Why do we not realize that the coal miners need plenty of food to produce plenty of coal. I spent some time in the

Ruhr district late last fall among the miners and observed the quality and quantity of food allotted to them. Gentlemen, they are not getting enough to eat. They must have more food if we want them to mine more coal. I repeat, they must have more food if we want them to mine more coal.

Today I received a letter from Mr. R. R. Estill, United States chairman of the United Kingdom-United States Coal Control Group. It speaks for itself. With the Russian menace trying to wreck Europe, everything should be done to assist western Europe to get on its feet.

The men working in the railroad repair shops likewise need extra food—and clothing. If they get more food they can repair more railroad cars. Railroad cars are the greatest lack in transportation. If there are more railroad cars they can haul more coal from the mines at greater distances. It is as simple as that—food. You would not expect a railroad locomotive to run without coal. Neither can muscles work without food.

Following is the letter:

BIPARTITE CONTROL OFFICE,
UNITED KINGDOM-UNITED STATES
COAL CONTROL GROUP,
Villa Hugel, Essen, APO 757,
United States Army, March 4, 1948.
The Honorable CHARLES J. KERSTEN,
Member of Congress,
House of Representatives,
Washington, D. C.

MY DEAR CONGRESSMAN: Inasmuch as our Ruhr tonnage is showing some improvement in spite of the fact that our food situation is still in a rather serious condition, I thought I would drop you a line and give you a concise picture of the situation as it stands today.

On March 3 our production in the Ruhr was 290,821 tons, which is an all-time high since the end of the war. It might be of interest to you to know that on January 5 we implemented a new incentive scheme which we hope will bring the production to 325,000 tons per day by March 31. This, incidentally, will be approximately 73 percent of prewar production, and if we can better our food situation I have no fear but what this target can be met. We are beginning to purchase foods from the dollars accrued under phase III, of the first incentive scheme, but so far we have only received 352,000 CARE packets on these purchases. There is one thing definite—and that is that men cannot mine coal without proper nourishment regardless of what some of our powers-to-be think. In my 35 years of experience in and around coal mines I personally have found mining coal with plenty of men, plenty of food, plenty of materials, and sufficient railway cars for transportation; it is still a hard job and, of course, here in the Ruhr we have none of the above-named factors.

I shall keep you advised from time to time and would enjoy having a letter from you at your convenience as to the congressional reaction to the job we are trying to do under most difficult circumstances. With kindest personal regards, I remain

Very truly yours,

R. R. ESTILL,
United States Chairman, United
Kingdom-United States Coal
Control Group.

PERMISSION TO ADDRESS THE HOUSE

Mr. ARENDS. Mr. Speaker, I ask unanimous consent to address the House

for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

THE DONKEY HAS TWINS

Mr. ARENDS. Mr. Speaker, the donkey has twins. It is the so-called Democratic donkey I am talking about. It is no wonder and no surprise that the donkey has twins.

That is to be expected from the disunited Democratic Party, whose New Deal administration faces both ways—right and left—simultaneously and blandly promises everything to everybody under the New Deal philosophy of spend and spend and tax and tax.

The Democratic platform of 1948, when born next July, has a good chance of being disidentical twins. Here is a preview of the party's positions on major issues:

HIGH COST OF LIVING

President Truman: "Price controls and rationing are needed to lower prices."

Truman administration: "Government must buy commodities to keep prices from falling."

FOREIGN TRADE

Mr. Truman: "Export commitments had only a small bearing on the domestic economy."

Secretary Harriman: "Export commitments have a tremendous effect on domestic prices."

FOOD MARKET

Mr. Truman: "Greed of speculators and gambling on the food market is a major factor in the high cost of food."

News headline: "Secretary Anderson buys grain; prices rise."

Special Assistant to Army Secretary, Mr. Edwin W. Pauley, continued in office after admitting profits of nearly \$1,000,000 from gambling on grain market.

CONCERNING OPA

Mr. Truman: "Price control and rationing are the methods of the police state."

Mr. Truman: "We must restore wartime powers to control prices and institute rationing."

LABOR POLICY

Mr. Truman: "Strikers in essential industries should be drafted—May 1946."

Mr. Truman: "The Taft-Hartley law—for peaceful relations—is too severe."

CORPORATION TAXES

Mr. Truman: "Increase corporation taxes enough to permit individual taxpayers a reduction of \$40 each."

Secretary Snyder: "We should do something about eliminating double taxation of dividends."

BUSINESS EXPANSION

Mr. Truman: "Corporations should spend \$50,000,000,000 for expansion."

Mr. Truman: "Corporations should pay higher wages and taxes."

THE 1948 ELECTION

James A. Farley: "Democrats will win, because voters always return the party in power in good times."

Howard McGrath: "The people will blame the Republicans for the present hard times."

CIVIL LIBERTIES

Mr. Truman: "United States should establish Civil Rights Commission, FEPC, outlaw Jim Crowism, lynching, poll taxes," and so forth.

Seventy Congressmen and five Governors, all southern Democrats, promise to use every means to block High-Tax Harry's civil-rights program.

COMMUNISM

Mr. Truman: "We must make conditions in Europe unwholesome for communism."

Mr. Truman—through Secretary Marshall: "Communists should be taken into the Government of China."

Mr. Speaker, those are a few of the donkey twins. There are many more. Altogether, they spell election of a Republican President and Republican Congress November 2, 1948.

EXTENSION OF REMARKS

Mr. MacKINNON asked and was given permission to extend his remarks in the RECORD.

Mr. RICH. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD in two instances, in one to include an article from Look entitled "Who Gets Our National Income?" by Rev. Edward A. Keller, C. S. C., of Notre Dame University, and also an editorial from the Williamsport (Pa.) Gazette and Bulletin entitled "A Poor Investment." It refers to the Tennessee Valley Authority. I would like the gentleman from Mississippi to read this, so that when he finds out that it is a poor investment he will ask them to raise the rates so that Uncle Sam will not be going in the hole all the time in carrying on the work of that great organization.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

Mr. RANKIN. Mr. Speaker, reserving the right to object, if the gentleman from Pennsylvania will educate the people in his State as to what they ought to pay for electricity, then I will have no objection.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. COX. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

HELP EUROPE AND CHINA TOO

Mr. COX. Mr. Speaker, the wide divergence of views as between Generals Wedemeyer and MacArthur on the one hand, and General Marshall on the other, as regards the Chinese situation has intensified the worry of some of us

about the soundness of the political views of General Marshall. No one questions his great ability or that he is one of the world's most outstanding military men, but his mission to China was one that he should never have accepted. It has been said that finding Chiang Kai-shek too strong to be broken and too wise to be fooled, that the general came home nursing an angry hostility to the generalissimo.

As to this I do not know, but I do know that the State Department has manifested slight interest in extending help to China in her fight against being drawn behind the iron curtain.

I think the time has come when Congress and the country should do some independent thinking on this subject and not blindly follow the leadership when to all appearances that leadership is traveling in the wrong direction.

There is no sense in trying to stop communism in Europe and let it overrun China without resistance on our part.

Help Europe, of course, but help China as well. If this help that we are extending Europe and promising China does not consist of more than money, then we had best keep the money and try to make our own country strong.

Mr. Speaker, what this country needs at the moment more than anything else is another Grover Cleveland.

EXTENSION OF REMARKS

Mr. ABERNETHY asked and was given permission to extend his remarks in the RECORD and include an editorial from the Montgomery Advertiser.

PERMISSION TO ADDRESS THE HOUSE

Mr. ABERNETHY. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Mississippi?

There was no objection.

CIVIL RIGHTS, NEGROES, AND THE SOUTH

Mr. ABERNETHY. Mr. Speaker, if the greatest of all Negro leaders, Booker T. Washington, were living today he would repudiate President Truman's so-called civil-rights program. On many occasions he admonished politicians and do-gooders to let the Negro as well as the South solve its own problems. As far back as the year 1884 in a speech which he delivered at Madison, Wis., he warned his listeners to let the Negro and the South alone. Would that the President and leaders of our two major parties heed the admonition of Booker T. Washington, and turn their efforts as forcefully toward a legislative program for all races as they do to stir strife and discord between them.

As a part of my remarks I include an editorial from a recent issue of the Montgomery (Ala.) Advertiser, which incidentally so properly refers to the misnamed civil-rights proposal as the civil-disturbance proposal. The editorial follows:

BOOKER WASHINGTON'S COUNSEL

Booker T. Washington, that wisest of Negro leaders, has something to say to the proponents of Truman's civil disturbance pro-

posal, and he has something to say to a certain element of southerners.

Washington, founder of Tuskegee Institute, made a speech in 1884 at Madison, Wis., before the National Educational Association. He said:

Brains, property, and character for the Negro will settle the question of civil rights. The best course to pursue in regard to the civil rights bill in the South is to let it alone. Let it alone and it will settle itself.

Good school teachers and plenty of money to pay them will be more potent in settling the race question than many civil rights and investigating committees.

Other words spoken by Washington in St. Louis in 1904 embody an eloquent message to the South:

"At every point at which the Negro has touched the white man the Negro has had the wisdom to get something that has made him a stronger and more useful citizen.

"In the midst of the uncertainties and perplexities, a few strong, definite, and unbeatable facts stand out clear and convincing; and these should strengthen our faith and our activities for the future. Centuries ago the Negro began life in America in paganism; today there are nearly 10,000,000 Christians.

"He began life without a language, today he speaks the English tongue.

"From a slave he has grown into citizenship and the ownership of property.

"Into hands formerly bound by the fetters of bondage he receives today the Bible, the spelling book, the hatchet, the plow, the trowel, the college diploma. These constitute distinct and potential signs of progress and high citizenship."

These words were spoken a half century ago. But their wisdom is applicable today more than yesterday. All sections could ponder Washington's words with profit.

A NEGRO PASTOR OPPOSES TRUMAN

EDITOR, DAILY NEWS:

Regarding President Truman's 10-point civil-rights program and the southern reaction to it.

I do not think that President Truman was moved to this act by his great love for the Negro, but I feel sure it was and is a bid for the Negro vote.

I do not think that the wise southern Negro will be fooled by such an amateurish political move. It was not to gain the southern Negro vote because the solid South was and is in the bag, but to gain the Negro vote in close or doubtful Northern States.

The Southern Methodist Church, of which I am a minister, did not go into the northern-controlled Methodist Church because we knew that their thinking on many questions was different from ours.

Many of the leaders of the Methodist Church are modernistic in their teachings, whereas we are fundamental.

Many of their leaders have un-American learnings, judged by their utterances.

The impact of the church is against southern customs and traditions, especially on the Negro question.

Almost 2 months before Mr. Truman brought forth his social equality, nonsegregation, and FEPC ideas, the Woman's Society for Social Service, representing 1,300,000 women of the Methodist Church, met in Jackson, Miss., and petitioned the general conference to do away with the principle of race segregation.

That would allow Negroes to attend white churches anywhere in the South. I do not believe for one moment that that is best for either the Negro or white.

We should not intrude in their churches. They would rightly resent it. Neither should they be forced into ours.

I am sure that the Negro is happier in the South than anywhere else. It has been over 80 years since the Negro was freed. He

has been at liberty to move into any State. High wages in Northern States have called him, so-called social equality was promised him elsewhere, but most of them are still in the South. Why? Because customs, its ideals and its cooperation between the two races.

Negroes in the South have the opportunity to make a comfortable living and are doing so. If you doubt it, hire a Negro brick-mason for a week. They drive good cars. Many of their women wear fur coats. Some of the finest churches in Memphis are Negro. Our Memphis and southern Negroes are good citizens and a happy and prosperous people. I am sure that they do not want the white people crowding into their churches, their schools, etc. Neither do they want into ours. I believe that most of them will want to work with the southern governors and Judge Holmes and others in preserving the great ideals and traditions of the South. Under these southern customs the Negro race has made greater progress in the last 80 years than any race ever made in a like period of time.

It is evident that we of the South are facing a crisis. It is going to cost us time and much money for us to overcome this crisis. I propose to get the information out just as quickly as expenses for it comes in. Will be glad to hear from everyone interested in:

1. Ideals and customs of the South.
2. Bible-believing churches.
3. Race segregation.
4. Loyalty to our American form of government.

FRED R. HARPER,
Memphis, Tenn.

EXTENSION OF REMARKS

Mr. GOSSETT. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an address by Mr. El-Khouri, Syrian statesman, before the United Nations Security Council. I have secured an estimate from the Public Printer and find that it exceeds the limit and will cost \$378.67. The speech is of historic interest and contains much factual matter which I think will be of great interest to the Congress and the country. Therefore I ask unanimous consent, notwithstanding the cost, that the extension may be made.

The SPEAKER. Is there objection to the request of the gentleman from Texas? There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. MAHON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Texas? There was no objection.

CIVIL RIGHTS PROGRAM

Mr. MAHON. Mr. Speaker, I was encouraged by the action of the House Committee on Appropriations last Friday in striking from the Labor Department-Federal Security Agency appropriation bill the so-called civil rights amendment which was embodied as a rider to the bill in section 207. I was among those who spoke against and voted against the so-called civil-rights provision in the committee.

It was encouraging to me to see members of both parties join together on a nonpartisan basis in striking out this offensive provision in the bill, a provision which may have prevented segregation

of the races in the schools and hospitals and which could have been used as the basis for placing into operation a sort of Fair Employment Practice Commission—FEPC.

Mr. Speaker, on previous occasions and in former years I have consistently condemned and voted against this so-called civil-rights legislation. I again wish to register my emphatic protest against and opposition to Federal antipoll-tax legislation, Federal antilynching legislation, legislation designed to prevent segregation of the races, and to set up a Fair Employment Practices Commission—FEPC.

Such legislation is dangerous, unconstitutional, against the public interest, and it should not even be considered by Congress, much less enacted into law. We need unity at this time in our history and an application of all our energies to the great national and international questions which press down upon us.

The House committee has made a good start in striking out section 207, and other committees should follow the same pattern.

I am glad to have been among those responsible for the defeat of the obnoxious provision in the appropriation bill and I respectfully request, and demand if I may, that no more legislation of such kind and character be presented to the floor of the House of Representatives. Both Democrats and Republicans should join together in such a course of action.

During the consideration of the appropriation bill today I hope no effort will be made to restore section 207 which was deleted from the bill last week.

The SPEAKER. The time of the gentleman from Texas [Mr. MAHON] has expired.

EXTENSION OF REMARKS

Mr. BARTLETT asked and was granted permission to extend his remarks in the RECORD and include an editorial from the New York Herald Tribune.

Mr. BECKWORTH asked and was granted permission to extend his remarks in the RECORD and include a letter from the War Assets Administration and some information he had received.

Mr. LANHAM asked and was granted permission to extend his remarks in the RECORD and include an editorial from the Atlanta Journal.

Mr. HESELTON (at the request of Mr. MICHENER) was granted permission to extend his remarks in the RECORD in three instances and in each instance to include a newspaper article.

Mr. SCHWABE of Oklahoma asked and was granted permission to extend his remarks in the RECORD in three instances, in two of which to include editorials and in one an address by his colleague, Mr. GLENN DAVIS, of Wisconsin, delivered before the Oklahoma Young Men's Republican Convention on last Friday.

Mr. SCHWABE of Oklahoma. Mr. Speaker, I also ask unanimous consent to extend my remarks in the RECORD and include an article entitled "Yesterday, Today, and Tomorrow in Vocational Education," which is in excess of the amount allowed. I have submitted it to the Public Printer and he has estimated

the cost to be \$266.25. Notwithstanding it exceeds the cost in that amount I ask unanimous consent that it be extended in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

[The matter referred to appears in the Appendix.]

CORRECTION OF ROLL CALL

Mr. JACKSON of Washington. Mr. Speaker, on roll call No. 20 I am reported as absent. I was present and respondent to the roll call. I ask unanimous consent that the permanent RECORD be corrected accordingly.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. JARMAN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to revise and extend my remarks and include therein three telegrams from leading citizens.

The SPEAKER. Is there objection to the request of the gentleman from Alabama [Mr. JARMAN]?

There was no objection.

TWEEDLEDEE-TWEEDLEDUM ON EUROPEAN RECOVERY PROGRAM

Mr. JARMAN. Mr. Speaker, I regret exceedingly the necessity of realizing the probability that the time is approaching when another tweedledee-tweedledum speech should occur.

It will be recalled that the European countries concerned followed Secretary Marshall's suggestion and met in Paris last September after which a report of their requirements occurred which was substantially reduced by the State Department. Realizing the necessity of doing something for several of these countries before the Marshall plan or European recovery program could become law, the President called a special session in November which provided interim aid for three of them through March. All figures and plans on the long-range program have assumed that it would commence on April 1.

On January 12 the House Foreign Affairs Committee commenced hearings thereon, and the Foreign Relations Committee of the other body did so at about the same time. As you know, a week of debate has already occurred there and the passage of the legislation this week or early next week is hoped for.

When our committee was practically through with the hearings, perhaps 2 weeks ago, the President happened to send up a request for economic aid for China. Instead of continuing hearings on the European recovery program and bringing it to the floor so that we could commence action thereon, Secretary Marshall was requested to appear before our committee on the next day relative to this entirely different matter. The motion which provided that this occur also stipulated that the committee would commence marking up the European recovery program on March 2 which has

not occurred 6 days later. The President later sent up a request for further aid for Greece and Turkey. Somebody apparently was stricken with the bright idea that further delay could result from adding that and the China economic relief to the bill which we had practically completed. You see, many more days of hearings would be required. Now this morning's Press quotes our illustrious and able Speaker as saying that military aid for China should also be included.

I repeat what I said during what I regarded as the unconscionable and unnecessary delay on the interim-aid bill last fall:

When will the Foreign Affairs Committee discontinue this boring, laborious, unnecessary tweedledee and tweedledum?

The people of this country are naturally aroused over the very apparent determination of some that this legislation not become law by April 1 or at any reasonable time thereafter. It is but natural for them to wonder about this apparent determination to delay this important matter until after the pipe lines have run dry, particularly in view of the approaching election in Italy. If the Republican leadership of our committee or this House do not wish this legislation passed, I challenge them to frankly say so. If not, I urge a discontinuation of this tweedledee and tweedledum and the bringing of the measure to the floor at an early date.

I quote several telegrams from responsible people of this country who you will observe are considerably exercised over this matter, as well they may be:

WASHINGTON, D. C., March 8, 1948.

Congressman PETE JARMAN,
Foreign Affairs Committee,

House Office Building:

All our information leads us to believe ERP may determine whether Communists lose or win Italian election April 18 and therefore urge immediate action ERP. China and Greek aid are equally important but should be considered separately because of timing.

OSCAR JOHNSTON,

Chairman of the Board, National Cotton Council.

WASHINGTON, D. C., March 8, 1948.

HON. PETE JARMAN,
House Foreign Affairs Committee,
House Office Building:

Strongly urge on behalf of the Friends Committee on National Legislation that the proposals for military aid to Greece, Turkey, and China be excluded from the European recovery program. Such provisions weaken the moral foundations of true relief and recovery. Extension of unilateral military intervention can only further undermine the United Nations.

E. RAYMOND WILSON,
Executive Secretary.

WASHINGTON, D. C., March 4, 1948.

HON. PETE JARMAN,
House Office Building,
Washington, D. C.:

As advocates of a speedy and adequate European-recovery program, we strongly protest inclusion of China-Greece-Turkey or other aid features in ERP bill. Cut in interim aid is evidence of what end result would be. European-recovery program has reached ma-

turity after months of patient effort. Surely importance of China, alone, requires some time for separate debate. To delay passage of ERP while this necessary deliberation takes place is unnecessary and dangerous. Further delay and the threat of cut in amount imperils the start we have made in bolstering confidence of free nations in Europe at a most critical time. We urge you to approve S. 2202 immediately, and press for House action at once.

Miss Anna Lord Strauss, President, National League of Women Voters; Mrs. Norman Der. Whitehouse, National Chairman, Women's Action Committee for Lasting Peace; Mrs. J. L. Blair Buck, President, General Federation of Women's Clubs; Dr. Kathryn McHale, General Director, American Association of University Women; Miss Rose Schneiderman, President, National Women's Trade Union League; Mrs. Joseph Welt, President, National Council of Jewish Women; Mr. Chat Paterson, National Chairman, American Veterans Committee; Mr. Edgar C. Corry, National Commander AMVETS; Mr. Bernard Weitzer, Jewish War Veterans of the United States; Miss Ruth Manning, Catholic War Veterans; Mr. Ray Gibbons, Legislative Committee Council for Social Action, Congregation Christian Churches; Mr. J. M. Dawson, Executive Secretary, Joint Conference Committee on Public Relations, Baptists of the United States; Mr. Paul Gebhard, Legislative Representative, Division on Social Education and Action, Presbyterian Church, U. S. A.; Judge Joseph M. Proskauer, Chairman American Jewish Committee; Mr. Russell Smith, Legislative Representative, National Farmers Union; Mr. A. F. Whitney, President, Brotherhood of Railroad Trainmen; Mr. A. E. Lyon, Railway Labor Executives Association; Mr. H. W. Brown, International President, International Association of Machinists; Mrs. Annalee Stewart, President, Womens International League for Peace and Freedom.

The SPEAKER. The time of the gentleman from Alabama has expired.

EXTENSION OF REMARKS

Mr. O'KONSKI asked and was given permission to extend his remarks in the Appendix of the RECORD and include a news item.

Mr. DAVIS of Wisconsin asked and was given permission to extend his remarks in the RECORD and include a magazine article.

Mr. MUNDT asked and was given permission to extend his remarks in the RECORD and include a letter from a constituent.

Mr. LODGE asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD following debate upon the on-the-job-training bill conference report.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. LODGE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

THE LATE HONORABLE JAMES L. MCCONAUGHY

Mr. LODGE. Mr. Speaker, the untimely and tragic death of the Governor of Connecticut, James L. McConaughy, leaves me with a deep sense of personal grief and leaves the State of Connecticut and the country a great deal poorer.

Jim McConaughy, as Lieutenant Governor and Governor of Connecticut, as the president of Wesleyan University, and as civilian deputy to General Donovan during the war, distinguished himself by his vigorous intellect, his high integrity, and his sense of public service. The country can ill afford to lose the services of this honorable and able American at such a critical and threatening time.

I extend my deepest sympathy to the members of his family.

In the words of William Shakespeare:

His life was gentle and the elements so mixed in him that Nature might stand up and say to all the world: "This was a man."

PERMISSION TO ADDRESS THE HOUSE

Mr. SCHWABE of Missouri. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

WHEN DO WE BEGIN TO LEGISLATE FOR THE FOLKS AT HOME?

Mr. SCHWABE of Missouri. Mr. Speaker, over half of the time of the Eightieth Congress has already been spent. In fact if we are to adjourn this session as many believe in the early summer, we shall have only a few months remaining. It seems to me that too much of our time and effort has been given to legislating for the needs of people in other lands. Hardly do we finish a program of appropriating our millions or billions of American dollars, until another emergency comes along and then we have to start all over again. One emergency follows another emergency, and in all of them we see the same pattern. International good will, peace, and security among the nations is always the issue that is at stake, and in every international arrangement, of whatever nature, or regardless of what nations are involved, it always becomes necessary for Uncle Sam to dig down in his jeans and appropriate money. It is always a cooperative arrangement among nations. It is always give and take. But, it is always for us to give and for the other nations to take.

Many of us believed that when this Congress convened this pattern which had plagued us for so many years would change. We thought we had had enough of world-wide do-gooders and

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. KEEFE. Mr. Speaker, I ask unanimous consent that tomorrow, at the conclusion of the legislative program of the day and following any special orders heretofore entered, I may be permitted to address the House for 30 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. COX. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

ROGER NASH BALDWIN

Mr. COX. Mr. Speaker, this morning I received in the mail a letter from Roger Baldwin, director of the American Civil Liberties Union, at 170 Fifth Avenue, New York City, in which he enclosed a copy of a letter to my colleague, the chairman of the Committee on Rules, the gentleman from Illinois, and urging me to vote against the \$200,000 appropriation approved by the Committee on House Administration for the Standing Committee on Un-American Activities.

Mr. Speaker, I wish to call the attention of the membership of this House to the record of Mr. Roger Nash Baldwin, particularly the fact that he, like Earl Browder, served a penitentiary sentence during the last war for obstructing the draft.

Mr. Baldwin has had a long and checkered career of affiliation with radical, leftist, and Communist-front organizations. The front organizations for the Communist Party were described by Lenin as part of the solar system of organization of Communist organizations abroad as agents of the Comintern, the political bureau of the Third International, with headquarters in Moscow.

These organizations are organized, financed, and directed by agents of the Communist Party; but, in order to deceive the public and gullible persons, they ostensibly have no connection with the Communist Party, but it is easy to discern that they are arms of the Communist Party, because they invariably follow the Communist Party line.

Mr. Baldwin has been associated with a number of these organizations, which are listed as follows:

Member of the executive committee of medical bureau, American Friends of Spanish Democracy.

Among 60 signers of letter to President Roosevelt asking neutrality amendment, as printed in the Daily Worker, official organ of the Communist Party of the United States, for February 16, 1938, at page 2:

Member of National Peoples Committee Against Hearst.

Member of National Committee of American League for Peace and Democracy.

Member of the American Committee for Struggle Against War.

Member of National Peoples Committee Against Hearst of the American League Against War and Fascism.

Endorser of the congress called for refugee scholarship and peace campaign at American League for Peace and Democracy.

Member of national bureau of the American League Against War and Fascism. Note: Earl Browder, secretary-general of the Communist Party of the United States, was vice chairman of this league, and Clarence Hathaway, editor and general manager of the Daily Worker, was also a member of the national bureau of this league, along with Mr. Baldwin.

Speaker at protest meeting under the auspices of the American League Against War and Fascism and the American Civil Liberties Union against so-called gag legislation pending before Congress and forty-odd State legislatures.

Member of arrangements committee of the National Organizing Committee of the United States Congress Against War.

Member of advisory board of Russian Reconstruction Farms, Inc.

Member of sponsoring committee of dinner sponsored by the American Student Union to fight for social justice.

Member of advisory board of the American Student Union.

Member of the national advisory committee of the American Youth Congress.

Member of advisory council of Book Union, Inc., established by Alexander Trachtenberg, member of the national committee of the Communist Party and head of the International Publishers, official Communist publishing house, as the publishing and distributing apparatus of the Communist Party in the United States.

Signer of advertisement and appeal to the press, published in the Washington Post of March 12, 1942, demanding that Earl Browder be released from the Federal penitentiary in Atlanta, Ga., where he was serving a sentence for passport fraud.

Sponsor of the Consumers National Federation, one of the transmission belts of the Communist Party, organized ostensibly to fight the high cost of living, but the actual purpose was to attack established businesses and destroy the capitalistic system.

Endorser of the national committee, Friends of the Soviet Union, appearing in Soviet Russia Today, December 1933, page 17.

Member of the reception committee for the Soviet fliers.

Officer and director of the Garland fund of Baltimore, Md. Young Mr. Garland gave several million dollars to the Communist cause, and the fund was legally constituted as the American Fund for Public Service. Elizabeth Gurley Flynn, member of the central committee of the Communist Party; Benjamin Gitlow, who was ousted by the Comintern for refusal to obey orders from Moscow; and many other well-known Communists and radicals, served on the board of the Garland fund.

Speaker at the Greater New York Emergency Conference on Inalienable

Rights. This organization arose during the period of the Stalin-Hitler 1939 non-aggression pact, and it interlocked with many other Communist organizations which followed the line of "no comment" regarding Hitler during the time that he and Stalin were in agreement.

Signer of a cable to the Brazilian Chamber of Deputies on behalf of Arthur Ewert, a former Communist deputy of the German Reichstag and also a Comintern representative from Moscow who had been arrested in Brazil in 1936—Daily Worker, June 12, 1936.

Member of a committee of the Labor Defense Council, organized to aid the Communist defendants in the Michigan criminal syndicalist case in the early days of the Communist movement in this country, the defendants having been arrested in Bridgman, Mich., in April 1923.

Participant in mammoth mass meeting in Madison Square Garden, New York City, in October 1937—"China today! United States tomorrow!"—sponsored by the American League Against War and Fascism and American Friends of the Chinese People, both organizations Communist-organized and dominated.

Member of National Council of Action for Tom Mooney in 1933.

Member of prisoners relief fund, organized under the auspices of the International Labor Defense To Help Political Prisoners and Dependents. International Labor Defense is the legal arm of the Communist Party and was so found by Attorney General Francis Biddle in the Harry Bridges case.

Sponsor of banquet in 1936 in New York City in honor and on the occasion of the Seventy-fifth birthday of Mother Ella Reeve Bloor, a member of the central committee of the Communist Party in the United States and unquestionably the best known woman member of the party. Also present and sponsoring this banquet were: Earl Browder, Jerome Davis, William Z. Foster, Alolph Heller, who was subsequently arrested in Philadelphia for carrying a bomb during the Republican national convention; Mike Gold of the Daily Worker staff, and many other well-known Communists.

Member of the National Committee to Abolish the Poll Tax of 127 B Street SE., Washington 3, D. C.

Supporter of National Committee to Aid Victims of German Fascism, of 870 Broadway, New York City, of which committee Foster and Browder and other Communists were members.

Signer of a call to a national congress for unemployment and social insurance in 1935 in the Washington Auditorium, Washington, D. C. Max Bedacht, Israel Amter, William Z. Foster, and many other well-known Communists also signed this call.

Member of the National Sponsoring Committee for a National Congress for Unemployment and Social Insurance, of 799 Broadway, New York City, of which the persons named immediately above were also members.

Member of the National People's Committee Against Hearst—William Randolph—of the American League Against War and Fascism, 268 Fourth Avenue, New York City, in 1937.

Member of the national reception committee to the Russian delegation to the United States, who came to this country to explain away the execution by the Soviet Government of two Jewish Polish trade-union leaders, Ehrlich and Alter, who were Social Democrats. The Russian delegation sent to the United States were Itzik Feffer and Solomon Michaels, also Jewish, their visit being obviously for the purpose of counteracting the harmful effects of the aforementioned executions.

Member of the executive committee of the National Scottsboro Action Committee in 1933.

Signer of a call for support to National Student League, which was organized by the Young Communist League as an auxiliary arm of the Communist Party. The National Student League was subsequently merged with the Student League for Industrial Democracy and became eventually the American Student Union, which was subsequently denounced on the floor of Congress as a Communist organization.

Speaker at the New York Professional Workers Conference on Social Insurance in 1934. This conference was organized by Harry Lurie and Herbert Benjamin, who were delegates from the United States to a meeting of the Communist International in Moscow.

Sponsor of the New York Tom Mooney Committee, being associated with Mike Quill, Stanley M. Isaacs, Jerome Davis, Vito Marcantonio, and other leading lights of the Communist Party, principally in New York.

Contributing editor to the *Liberator* in the January 25, 1930, issue, the *Liberator* being the first official publication of the Communist Party of the United States, which was first published in 1919.

Trustee of Political Prisoners Bail Fund Committee, of 154 Nassau Street, New York City, along with Joe Brodsky, personal attorney for Earl Browder and other known Communists.

Supporter of the Anti-Nazi Federation of New York to combat German fascism and Nazi activities in the United States and to aid victims of Nazi persecution, affiliated with the National Committee to Aid Victims of German Fascism, which committee was organized by the Communist Party, and many leading Communists were members thereof.

Trustee of the Robert Marshall Civil Liberties Trust, a Communist organization, cited by the Attorney General and the Special Committee on Un-American Activities.

Author of *Liberty Under the Soviets*.

Editor of *Kropotkin's Revolutionary Pamphlets*, 1928.

PERMISSION TO ADDRESS THE HOUSE

Mr. MAHON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

THE MARCANTONIO AMENDMENT

Mr. MAHON. Mr. Speaker, the action of the House a few moment ago in defeating the so-called Marcantonio civil rights amendment is most gratifying. Many of us had hoped that both Democrats and Republicans would join together in defeating Federal anti-poll-tax, antilynching, antisegregation, and FEPC legislation. I hope the nonpartisan action of the House this afternoon in defeating the amendment of the gentleman from New York [Mr. MARCANTONIO] is a good omen and that we may have such cooperation on both sides of the aisle in the defeat of the other so-called civil-rights legislation to which I have referred.

SPECIAL ORDER

The SPEAKER. Under previous order of the House, the gentleman from Pennsylvania [Mr. RICH] is recognized for 10 minutes.

(Mr. RICH asked and was given permission to revise and extend his remarks.)

OUR FOREIGN POLICY

Mr. RICH. Mr. Speaker, I have been trying to read and come to some conclusion as to what our foreign policy is, but it is difficult for me to understand what the foreign policy of the Nation now is or what it might be or what it is intended to be. No one seems to know. Those in high Government offices differ greatly in their judgment on the subject. One thing sure, most of our high officials have a foreign policy which, to me, seems to transcend our domestic interest. Oh, for Americans who would be for America first—America, the home of the free and the land of the brave, where liberty and freedom is uppermost in our minds and hearts.

You know many people have the idea that you can spend a lot of dollars and buy good will from the nations of the

world. I do not think that is possible. I do not think you can buy friends, and I do not think you can buy anybody worth while with money. You can buy friends for a while, but after the money runs out, your friends run out too. I have come to the conclusion that what we are trying to do now is put up a glorified WPA all over the world. I have heard so much about \$1,000,000,000 and about spending \$17,000,000,000 now under the plan that has been advocated to help Europe. I question very much whether the membership of the House knows just what \$1,000,000,000 is. I am going to try to explain what a billion dollars is. I am going to try to explain what \$1,000,000,000 is and what \$17,000,000,000 are, if that is possible. In the first place, let us take the Treasury statement on March 3. You will find that we are in debt to the extent of \$254,250,000,000. We have a population of 140,000,000 people. I asked the Library of Congress to furnish me with the names of the countries that are supposed to be dealt with under the Marshall plan. I have that chart here showing the countries and the populations in those countries. Also the extent their industries are operating today. It shows that the national debt of those countries is \$161,082,000, and the population of those countries to be 326,000,000 people. In other words, the debt of the United States is \$84,000,000,000 more than the national debts of all those countries put together, and they have a population of 186,000,000 people more than we have. So they are not so bad off as one might have you believe.

Mr. Speaker, I ask unanimous consent to insert in the *RECORD* at this point the statement that I received from the Library of Congress.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Selected statistical information concerning nations included in European recovery program

Country	Population 1947	National debt 1946 internal	National debt 1946 external	National debt 1946 total	Industrial production, 1947 (1937=100)
Austria.....	7,000,000	\$1,336,000,000	\$90,000,000	\$1,426,000,000	Summer, 45. ¹
Belgium (Luxemburg).....	8,400,000	5,594,000,000	196,000,000	5,790,000,000	September, 84.
Denmark.....	4,300,000	1,779,000,000	153,000,000	1,937,000,000	December, 120.
France.....	40,900,000	16,257,000,000	906,000,000	17,163,000,000	October, 100. ¹
Greece.....	7,500,000	102,000,000	599,000,000	701,000,000	July, 67. ²
Iceland.....	130,000	6,000,000	1,000,000	7,000,000	Note A.
Eire.....	3,000,000	310,000,000	1,000,000	311,000,000	June, 109.
Italy.....	45,000,000	3,202,000,000	659,000,000	3,861,000,000	September, 72.
Netherlands.....	9,600,000	5,460,000,000	642,000,000	6,102,000,000	November, 106. ³
Norway.....	3,100,000	1,313,000,000	82,000,000	1,395,000,000	October, 122. ⁴
Portugal.....	8,300,000	367,000,000	34,000,000	401,000,000	1945, 102. ⁵
Sweden.....	6,800,000	3,167,000,000	-----	3,167,000,000	October, 108.
Switzerland.....	4,500,000	2,684,000,000	-----	2,684,000,000	October 1946, 97.
Turkey.....	18,900,000	391,000,000	268,000,000	659,000,000	Note B.
United Kingdom.....	49,200,000	100,052,000,000	3,097,000,000	103,149,000,000	Note C.

NOTE A.—Index numbers not available. Value of fisheries 1938, \$5,170,490; 1945, \$21,359,000.

NOTE B.—General index number not available. In 1945 cement production was 106; glass production was 136 using 1939 as 100.

NOTE C.—General index number not available. Representative index numbers as follows: 1937-100; coal (September 1947) 95; steel (October 1947) 110; cotton yarn (August 1947) 49.

¹ 1938=100 October index of France probably slumped later due to labor troubles.

² 1939=100.

³ Manufacturing, mining and public utilities.

⁴ Adjusted for number of working days.

⁵ 1938-39=100. In 1947 the American Embassy reported that "the general industrial situation of the country may be regarded as better than a year ago with prospects of further advancement." United States American Embassy, Lisbon. Annual Economic Review, Portugal, 1946, p. 7.

⁶ 1929-39=100.

Selected statistical information concerning nations included in European recovery program—Continued

Country	Population 1947	National debt 1946 internal	National debt 1946 external	National debt 1946 total	Industrial production, 1947 (1937=100)
Prewar Germany.....	76,931,700			\$12,339,000,000	September, 44. ⁹
Bizone.....	42,600,000				September, 85. ¹⁰
French zone and Saar.....	6,500,000				
Total.....	325,647,000			161,082,000,000	

⁷ 1939.

⁸ 1939. Debt on April 21, 1945, when Administration of Public Debt closed down was 389,200,000,000 reichsmarks, dollar value unknown.

⁹ American zone 50; British zone 37.

¹⁰ Normal output.

Sources: Financial Report on Germany, I. Currency and the Public Debt. The Statist, vol. CXLVI (Nov. 1 1947), p. 438.

Germany. Its Prewar Economic Importance and Plans for Reconstruction. The Index, vol. XXVII, No. 3 (autumn 1947), p. 53.

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Kravis, Irving B. Prices and Wages in the Austrian Economy, 1938-47. Monthly Labor Review, vol. 66, No. 1 (January 1948) p. 20.

Linguagem dos Numeros. Dados estatísticos especialmente cordenados para "Industria Portuguesa" Produção Industrial. Industria Portuguesa. Ano 19, No. 226 (Dezembro 1946), p. 860.

United Nations. Department of Economic Affairs. Economic Report. Salient Features of the World Economy, 1945-47. January 1948, p. 98.

United Nations Statistical Office. Monthly Bulletin of Statistics, January 1948, pp. 28-31.

U. S. American Embassy, Lisbon. Annual Economic Review, Portugal, 1946. Feb. 28, 1947, p. 7.

U. S. Senate, Committee on Finance. Foreign Assets and Liabilities of the United States and Its Balance of International Payments. Washington, Government Printing Office, 1948, pp. 133-134.

U. S. Senate, Committee on Foreign Relations. European Recovery Program. Hearings * * * held on Jan. 8, 9, 10, 12, 13, 14, and 15, 1948. Washington Government Printing Office, 1948.

[E. E. Billings, General Research Section, Feb. 25, 1948.]

Mr. RICH. Mr. Speaker, what is a billion dollars? It is a thousand million dollars. I called the assessor's office in the District of Columbia, today. I asked them what the assessment was of all the property in the District of Columbia, and that includes a lot of hotels. Just let me enumerate some of them: The Annapolis Hotel, the Broadmoor, the Burlington, the Carlton, the Continental, the Essex, the George Washington Inn, the Hamilton, the Hay-Adams, the Harrington, Ambassador, the Mayflower, the Roosevelt, the Statler, the Willard, the Occidental, Roger Smith, and so forth. Then there are many apartments, such as the Alban Towers, the Broadmoor, Francis Scott Key, Fairfax, Meridian Park, the 2400, the Westchester, Woodley Park Towers, and a thousand more apartments in the District of Columbia. Then think of all the stores that you see up and down F Street, and up and down Connecticut Avenue—some of the finest stores in the country. Hundreds of them—Garfinkles, Woodward & Lothrop, Hechts, Rich's, Young Men's Shop, Jelleffs, Lansburgh's and so forth. Then look around and see all these nice office buildings in the District. There are many of them. You could name them by the dozens. Then look around and see all the business enterprises that are in the District of Columbia, and all the homes owned by the thousands of people who live here. You find that the assessed valuation of all those properties, according to the assessor's office, as given me today is \$1,572,527,504. Now, that is what a billion dollars is.

Let us get down to figures and see what the \$17,000,000,000 is. You know \$17,000,000,000 is the figure that they are talking about giving away to these foreign countries. So I thought I would show the Members of Congress what \$17,000,000,000 means by taking the United States Census of Agriculture in 1945, issued by the Department of Commerce, W. A. Harriman, Secretary. I took this record of the farms and farm

properties of the whole United States. I am going to show you what \$17,000,000,000 is and what you have been talking about giving away. You are not talking about making a loan to some countries and getting something back for the American taxpayers. No, you are talking about giving that money away and taxing our people for it. That is what you have been doing lately, seems silly does it not?

Now this does not include the \$570,000,000 that they want to give to China or \$275,000,000 more to Greece, or a lot of these other gifts that have been made. What I am talking about now is just what is supposed to be given away under the Marshall plan or New Deal State Department plan. Here are the farms that you are going to give away under the New Deal plan; that is the value of the farms, and if you were asked to give these farms away, you would not get one vote in this whole country, but when you talk about a million or a billion dollars, those are figures that the Members of Congress do not know what they mean, and they are doing things that they do not know what they are doing, and I say it is about time that we wake up and realize just how far we are going in giving this country away from our people without their consent and getting nothing back, because when we are ruined we are not a bit of good to ourselves and we are no good to anybody else. Here is the list of farms by States, the number of farms and the estimated value that make up \$17,000,000,000:

Farms and farm property (1945), United States Census of Agriculture

Region, division, and State	Number of farms	Value of farms (land and buildings)
New England States:		
Maine.....	42,184	\$159,680,897
New Hampshire.....	18,786	80,394,869
Vermont.....	26,490	134,575,897
Massachusetts.....	37,007	265,232,462
Rhode Island.....	3,603	35,609,900
Connecticut.....	22,241	263,023,415

Farms and farm property (1945), United States Census of Agriculture—Continued

Region, division, and State	Number of farms	Value of farms (land and buildings)
Middle Atlantic States:		
New York.....	149,490	\$1,087,522,090
New Jersey.....	26,226	292,980,843
Pennsylvania.....	171,761	1,008,573,540
South Atlantic States:		
Delaware.....	9,296	72,693,794
Maryland.....	41,275	354,806,789
District of Columbia.....	40	4,961,340
Virginia.....	173,051	868,806,343
West Virginia.....	97,600	341,008,205
South Carolina.....	147,745	440,632,183
Florida.....	61,159	498,399,612
East South Central States:		
Kentucky.....	238,501	1,015,796,276
Tennessee.....	234,431	870,947,702
Alabama.....	223,369	559,742,689
Mississippi.....	263,528	647,562,141
Mountain States:		
Montana.....	37,747	517,890,663
Idaho.....	41,498	493,331,235
Wyoming.....	13,076	232,042,912
Colorado.....	47,618	564,503,888
New Mexico.....	29,695	326,750,718
Arizona.....	13,142	287,876,225
Utah.....	26,322	261,817,649
Nevada.....	3,429	71,955,968
Pacific States:		
Washington.....	79,887	900,184,222
Oregon.....	63,125	697,775,183
California.....	138,917	3,484,548,812
Total (31 States).....	2,492,237	16,942,643,462

Mr. Speaker, I ask unanimous consent to insert this statement in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania [Mr. RICH]?

There was no objection.

Mr. RICH. The point I want to make is this, that by one stroke of the pen, when the President signs the bill that he asks under the Marshall plan, we are giving away in value all those farms in those 31 States to these foreign countries. I think it is about high time that America began to think about America, before we give ourselves away to any foreign countries. I want to help foreign countries but I want to tell you what the trouble is. There are a lot of people in our Government right now that have been educated in colleges, and they wear the Phi Beta Kappa key, but they would not know how to farm. They are theorists, no practical experience. They do not know how to run a mill or a business. All they know is about books and figures and they have a lot of theories. Those are the fellows that we send over to these foreign countries to see what those people are doing over there; what they need in their judgment. What do they find? They find that a lot of those people do not have things as good as we have them in America but they want those people to do everything like Americans do, and they want to bring them up to the same high standard of living as Americans, within a year or two. In this country we have reached that high standard of living through our private industry system and by hard work and determination and ambition to advance. We have gone ahead in good shape. But why should we destroy America to save any foreign country? I do not care what country that is. I say that deliberately.

In 1945 we gave \$4,400,000,000 to Great Britain. That was to put them on their

feet over a 5-year period. In 19½ months they squandered all that money socializing their Government, and by socializing their Government what have they got? They are in worse shape today than when we gave them the money. What happened to them? Britain is in a deplorable condition—not from the standpoint of the things they ought to do but because of doing things they should not be doing. Mr. Churchill should get up there and tell a lot of these Socialists about spending tears and sweat and blood working for their own country, go to work, then let them get back on their own feet. Their industries are all operating pretty good. Time will bring them back if they work.

Then we have given the Czechs \$440,-445,000, and what happened to that? Well, Russia has got that. You will find there are a lot more countries might be going to do the same thing. That is only building up Russia. When we find out what has happened we are going to be taken for a joy ride. We will wreck America and then we will have nothing for ourselves and our people. If we remain strong, we can defend ourselves and others; then no country can do anything with us.

Mr. Speaker, let us not let the House of Representatives vote \$17,000,000,000 to give away foolishly. Do not permit it, Mr. Speaker. With your leadership and counsel we can guide the destiny of America, we can keep foreigners from starving, we can show them how they can help themselves by working, sweating, and laboring to accomplish things. Let us stop the hand-outs. Let us pay no attention to foreign beggars. Let us team up with the countries of the Western Hemisphere as a one-man team working one for all and all for one.

Keep our house in order; keep America strong. We have many of our people who want help—the aged, the sick, the dependents, many without jobs. Oh, many many of our own people need attention. Let us give them the things that make life happy. You cannot stop communism with dollars. You cannot buy friends with dollars. You can wreck our country by giving dollars away. Then what have you? Stop—look—listen—17,000 million dollars, a lot. Where are you going to get the money?

The SPEAKER. The time of the gentleman from Pennsylvania has expired.

ENROLLED BILLS SIGNED

Mr. LECOMPTE, from the Committee on House Administration, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H. R. 2161. An act to amend the act entitled "An act authorizing the construction and operation of demonstration plants to produce synthetic liquid fuels from coal, oil shale, agricultural and forestry products, and other substances, in order to aid the prosecution of the war, to conserve and increase the oil resources of the Nation, and for other purposes," approved April 5, 1944 (58 Stat. 190).

ADJOURNMENT

Mr. ARENDS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 24 minutes p. m.) the House adjourned until tomorrow, Tuesday, March 9, 1948, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1367. A letter from the Administrator, Federal Security Agency, transmitting the Annual Report of the Public Health Service, for the fiscal year 1947; to the Committee on Interstate and Foreign Commerce.

1368. A letter from the Administrator, Federal Security Agency, transmitting the Annual Report of the Federal Security Agency, for the fiscal year 1947; to the Committee on Ways and Means.

1369. A letter from the assistant to the Attorney General, transmitting a draft of a proposed bill to amend section 332 (a) of the Nationality Act of 1940; to the Committee on the Judiciary.

1370. A letter from the District Court of the United States for the District of Columbia, Justice Letts, transmitting a report showing the proceedings had and the findings of the court in the case of United States of America against Joseph Groen et al.; to the Committee on the District of Columbia.

1371. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated August 20, 1947, submitting a report, together with accompanying papers and an illustration, on a preliminary examination and survey of Falmouth Harbor, Mass., authorized by the River and Harbor Act approved on March 2, 1945 (H. Doc. No. 558); to the Committee on Public Works and ordered to be printed, with an illustration.

1372. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated July 10, 1947, submitting a report, together with accompanying papers and an illustration, on a review report on St. Andrews Bay, Fla., requested by a resolution of the Committee on Rivers and Harbors, House of Representatives, adopted on March 13, 1945 (H. Doc. No. 559); to the Committee on Public Works and ordered to be printed, with an illustration.

1373. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated January 19, 1948, submitting a report, together with accompanying papers and two illustrations, on a review of reports on Port Aransas-Corpus Christi waterway, Texas, requested by a resolution of the Committee on Rivers and Harbors, House of Representatives, adopted on May 10, 1945 (H. Doc. No. 560); to the Committee on Public Works and ordered to be printed, with two illustrations.

1374. A letter from the Secretary of the Army, transmitting a letter from the Chief of Engineers, United States Army, dated July 31, 1947, submitting a report, together with accompanying papers and six illustrations, on a review of reports on Galveston Harbor, Houston Ship Channel, Texas City Channel, and Galveston Channel, Tex., requested by resolutions of the Committee on Rivers and Harbors, House of Representatives, adopted on May 10, 1945 (H. Doc. No. 561); to the Committee on Public Works and ordered to be printed, with six illustrations.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. FOOTE: Committee on the Judiciary. H. R. 238. A bill for the extension of ad-

miralty jurisdiction; with an amendment (Rept. No. 1523). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. WELCH: Committee on Public Lands. House Joint Resolution 242. Joint resolution to direct the Secretary of the Interior to issue a patent for certain land to Joel D. Minor; with an amendment (Rept. No. 1521). Referred to the Committee of the Whole House.

Mr. FELLOWS: Committee on the Judiciary. H. R. 2418. A bill for the relief of Luz Martin; with an amendment (Rept. No. 1522). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BARRETT:

H. R. 5747. A bill to provide recognition as veterans of the Indian wars for persons who took part in the capture of the Ute Indians in 1906, and for other purposes; to the Committee on Veterans' Affairs.

By Mr. CLASON:

H. R. 5748. A bill to provide means for financing a United States program of reconstruction in China and to create agencies to carry out such a program; to the Committee on Foreign Affairs.

By Mr. FORAND:

H. R. 5749. A bill to provide for a service credit for veterans for the purposes of title II of the Social Security Act; to the Committee on Ways and Means.

By Mr. McDONOUGH:

H. R. 5750. A bill to provide for the extension and improvement of post-office facilities at Los Angeles, Calif., and for other purposes; to the Committee on Public Works.

By Mr. MACK:

H. R. 5751. A bill to extend the coverage of the Federal old-age and survivors insurance system to the self-employed, employees of nonprofit institutions, and, under voluntary agreements, employees of State and local governments; increase the benefits payable under such system; lower the age requirements for female beneficiaries; and liberalize the eligibility provisions of the system; and for other purposes; to the Committee on Ways and Means.

By Mr. MUHLENBERG (by request):

H. R. 5752. A bill to amend the Architects' Registration Act for the District of Columbia in order to safeguard life, health, and property, and to promote the public welfare; to the Committee on the District of Columbia.

By Mr. PHILLIPS of Tennessee:

H. R. 5753. A bill to provide that any veteran who has at any time suffered from service-connected advanced tuberculosis shall receive compensation of not less than \$100 per month for the remainder of his life; to the Committee on Veterans' Affairs.

By Mr. TRIMBLE:

H. R. 5754. A bill authorizing a completion of the improvement of the Arkansas River and tributaries, Arkansas and Oklahoma; to the Committee on Public Works.

By Mr. STEVENSON:

H. R. 5755. A bill to amend section 14 of the Veterans Preference Act of 1944 (Public Law 359); to the Committee on Post Office and Civil Service.

By Mr. BARTLETT:

H. R. 5756. A bill to amend section 2 of the act entitled "An act to authorize an

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 8 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENTS

Intended to be proposed by Mr. TAYLOR to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: Strike out all after the enacting clause and insert in lieu thereof the following:

- 1 That this Act may be cited as the "Peace and Reconstruc-
- 2 tion Act of 1948".

3 FINDINGS AND DECLARATION OF POLICY

- 4 SEC. 2. The Congress finds that after the horror and
- 5 devastation of World War II, the victorious coalition, re-
- 6 sponding to the highest and noblest hopes of mankind

1 everywhere, established the United Nations for the pro-
2 motion and maintenance of peace. It is the declared pur-
3 pose of the United Nations to maintain international peace
4 and security; to take effective collective measures for the
5 prevention and removal of threats to the peace; to develop
6 friendly relations among nations based on respect for the
7 principle of equal rights and the self-determination of
8 peoples; to achieve international cooperation in solving in-
9 ternational problems of an economic, social, cultural, or
10 humanitarian character; to employ international machinery
11 for the promotion of the economic and social advancement
12 of all peoples; and to be a center for harmonizing the actions
13 of nations in the attainment of these ends. Realization of
14 these principles through the United Nations remains the
15 world's last best hope for peace. The United States as in-
16 itiator of the United Nations and a signatory to its charter has
17 the high responsibility of strengthening its organization and,
18 through it, building the foundations of an enduring peace.

19 Yet the foreign policy of the United States as embodied
20 in the Truman doctrine and as practiced continuously since
21 the announcement of that doctrine has seriously weakened
22 the United Nations as an instrument for world peace and
23 collaboration, and negated the high purposes of its Charter.
24 Instead of taking collective measures, through the United
25 Nations, for the prevention and removal of threats to the

1 peace, unilateral action under the Truman doctrine has
2 divided the world into hostile blocs. Instead of employing
3 international machinery for the promotion of the economic
4 and social advancement of all peoples, the Truman doctrine
5 has employed the economic might of the United States uni-
6 laterally for political ends. Instead of respecting the prin-
7 ciple of equal rights and the self-determination of peoples,
8 the Truman doctrine has intervened in the internal affairs
9 of other nations. Instead of making use of the United
10 Nations as a center for harmonizing the actions of nations,
11 the Truman doctrine has bypassed the United Nations and
12 provoked international suspicion and tension which, if un-
13 checked, can lead only to war.

14 It is therefore declared to be the policy of the Congress
15 that the United States take immediate steps to repudiate
16 the Truman doctrine and reassert leadership in the great
17 task of establishing and maintaining peace through the
18 United Nations. It is the further policy of the Congress to
19 respond to the desperate need of the European victims of
20 Axis aggression for the reconstruction and economic develop-
21 ment of their war-devastated lands by providing aid through
22 the instrumentality of the United Nations and in accordance
23 with the purpose of its Charter to employ international
24 machinery for the promotion of the economic and social
25 advancement of all peoples, while guaranteeing their right

1 to determine for themselves the forms of their social,
2 political, and economic institutions, without intervention or
3 interference.

4 UNITED NATIONS EUROPEAN RECONSTRUCTION AND
5 ECONOMIC DEVELOPMENT ADMINISTRATION

6 SEC. 3. (a) The Congress calls upon the President to
7 request the Secretary General of the United Nations to
8 convene a special session of the General Assembly of the
9 United Nations at the earliest possible date.

10 (b) The Congress calls upon the President to instruct
11 the representatives of the United States in the General As-
12 sembly, upon the convening of that body, to submit a pro-
13 posal for the establishment of a European Reconstruction
14 and Economic Development Administration (herein referred
15 to as the "Administration") within the United Nations,
16 based upon the following principles:

17 (1) The Administration shall include representatives of
18 the United States and of all European members of the United
19 Nations.

20 (2) The Administration shall be charged with the ad-
21 ministration and distribution of a European Reconstruction
22 and Economic Development Fund (herein referred to as the
23 "fund").

24 (3) The fund shall be made up by voluntary contribu-
25 tions from members of the United Nations, or by quotas

1 determined by the Administration on the basis of ability
2 to pay and shall be in the aggregate amount of at least
3 \$25,000,000,000 over a period of five years.

4 (4) The fund shall be available to provide loans or
5 grants to individual European nations for the purposes of
6 rehabilitation, reconstruction, and economic development, to
7 the end that the immediate human suffering of their people
8 may be alleviated and their industry and agriculture restored
9 and placed on a self-sustaining basis at the earliest practicable
10 time. In addition, loans and grants may be made available
11 for industrial development, with special emphasis on the in-
12 dustrially backward nations, to raise the living standards of
13 their people, provide for the full utilization of their natural
14 resources and promote economic cooperation and world trade.

15 (5) Priority in the allocation of funds shall be given
16 to those nations which suffered most severely from Axis
17 aggression. All allocations of funds shall be based solely
18 on this consideration and on the basis of need, without
19 regard to the character of the political and social institutions
20 of the recipient nation and without the imposition of any
21 political conditions or any economic conditions other than
22 those necessary to insure that the allocated funds will be
23 expended for the purpose for which the allocation was made,
24 without waste or inefficiency.

(6) The entire fund shall be used exclusively for peaceful purposes, and no allocation shall be made to finance the purchase, manufacture, or maintenance of any military establishment, armaments, munitions, military supplies, or equipment of any kind or character whatsoever.

(7) Special attention shall be given to raising the levels of food production, providing an ever-normal world food granary and raising the minimum nutrition and shelter standards of all recipient nations.

10 SEC. 4. There is hereby authorized to be appropriated
11 the sum of \$5,000,000,000 for the fiscal year commencing
12 July 1, 1948, and a like sum for each of the four fiscal
13 years next following, which shall be available for payment
14 by the United States to the European Reconstruction and
15 Economic Development Administration from and after the
16 date it is established.

17 EMERGENCY AID

18 SEC. 5. In order to provide immediate emergency relief
19 to the peoples of the war devastated European nations
20 pending the establishment of the United Nation's European
21 Reconstruction and Economic Development Administration,
22 the President, acting through such departments, agencies,
23 or independent establishments of the Government as he shall
24 direct, may make grants to the governments of European
25 nations to finance the procurement, from any source de-

1 terminated by the recipient of food or fuel or any commodity,
2 machinery, or equipment required for the production of
3 food or fuel. In determining the nations to which grants
4 shall be made under this section, and the amounts of such
5 grants, the President shall be bound by the provisions of
6 subdivision (5) of section 3 of this Act and no economic,
7 political, or other conditions shall be attached to such grants
8 except for the united purpose expressly provided in sub-
9 division (5) of section 3 of this Act.

10 SEC. 6. There is hereby authorized to be appropriated
11 not to exceed \$500,000,000 to carry out the provisions of
12 section 5 of this Act: *Provided*, That no funds shall be
13 obligated under such appropriation subsequent to January
14 1, 1949, or the date of the organization of the United
15 Nation's Reconstruction and Economic Development Ad-
16 ministration, whichever is earlier.

17 REDUCTION OF ARMAMENTS

18 SEC. 7. From and after the effective date of this Act,
19 and notwithstanding any other provision of law, the United
20 States shall not in time of peace, unless the Security Council
21 of the United Nations shall otherwise determine, give or
22 sell to any other nation any military or naval equipment,
23 munitions, arms, armament, or supplies, or finance the
24 purchase of the same by any other nation, and any moneys

1 heretofore appropriated by the Congress for any such purpose
2 shall not be obligated therefor.

3 SEC. 8. It shall be the declared policy of the United
4 States to promote universal disarmament as a means of pre-
5 venting war and removing the crushing burden of mounting
6 armament appropriations from the people of all lands, includ-
7 ing our own. To that end, the Congress calls upon the
8 representatives of the United States in the United Nations
9 to propose to the Commission for Conventional Armaments
10 the immediate reduction by all nations in their armament
11 and military expenditures for all types of armaments to an
12 amount not in excess of 10 per centum of the current rate.

Amend the title so as to read: "A bill to promote the cause of world peace by providing for the reconstruction and economic development of the war devastated nations of Europe through the instrumentality of the United Nations; to provide for the establishment of a United Nations European Reconstruction and Economic Development Administration; to promote friendly international economic cooperation among the nations of the world; to encourage universal disarmament; to reverse the trend toward unilateral action outside of the United Nations; and for other purposes."

AMENDMENTS

Intended to be proposed by Mr. TAYLOR to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 8 (legislative day, FEBRUARY 2), 1948
Ordered to lie on the table and to be printed

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 8 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. THYE to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 22, between lines 20 and 21, insert the following:

- 1 (d) (1) In any case in which the Secretary of Agri-
- 2 culture determines that any quantity of any commodity
- 3 heretofore or hereafter acquired by the Commodity Credit
- 4 Corporation in the administration of its price support pro-
- 5 grams is in excess of needs for domestic consumption in
- 6 the United States and is available for use in furnishing aid

1 to foreign countries, he shall so advise all departments and
2 agencies of the United States administering laws providing
3 for the furnishing of assistance and relief to foreign countries
4 (including occupied countries or areas of occupied countries).
5 Thereafter the department or agency administering any such
6 law shall, to the maximum extent practicable in the admin-
7 istration of such law, procure or provide for the procure-
8 ment of such quantity of such commodity so acquired by
9 the Commodity Credit Corporation. In any case in which
10 the Secretary of Agriculture believes that the department
11 or agency administering any such law is not procuring or
12 providing for the procurement of such quantity of such com-
13 modity to the maximum extent practicable, he shall consult
14 with the head of the department or agency administering
15 such law and, if differences of view are not adjusted by
16 consultation, the matter shall be referred to the President
17 for final decision.

18 (2) The sales price paid as reimbursement to Com-
19 modity Credit Corporation for any commodity procured
20 under this subsection shall be in such amount as the Com-
21 modity Credit Corporation determines will fully reimburse
22 it for the cost to it of such commodity at the time and place
23 the commodity is delivered by it.

AMENDMENT

Intended to be proposed by Mr. THYE to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 8 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 8 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. BROOKS (for himself, Mr. WHERRY, Mr. REED, Mr. BREWSTER, Mr. BALL, Mr. CAIN, Mr. ROBERTSON of Wyoming, Mr. DWORSHAK, Mr. HAWKES, Mr. BUTLER, Mr. MALONE, Mr. ECTON, and Mr. WATKINS) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 11, beginning with line 8, strike out down through and including line 5 on page 12, and insert in lieu thereof the following:

- 1 UNITED STATES SPECIAL REPRESENTATIVE ABROAD
- 2 SEC. 8. There shall be a United States Special Repre-

1 sentative in Europe who shall (a) be appointed by the
2 President, by and with the advice and consent of the Senate,
3 (b) be entitled to receive the same compensation and allow-
4 ances as a chief of mission, class 1, within the meaning of the
5 Act of August 13, 1946 (60 Stat. 999), and (c) have the
6 title of Agent General for Economic Cooperation. He shall
7 be the chief representative of the Administrator to any or-
8 ganization of participating countries which may be established
9 by the participating countries to further a joint program for
10 European recovery, coordinate the activities of the Special
11 Economic Cooperation Administration missions provided for
12 in section 9 of this Act, and shall discharge in Europe such
13 additional responsibilities as may be assigned to him by the
14 Administrator with the approval of the President in further-
15 ance of the purposes of this Act. He may also be designated
16 as the United States representative on the Economic Com-
17 mission for Europe. As Agent General of the Administrator,
18 he shall keep the chiefs of the United States diplomatic
19 missions currently informed concerning his activities.

AMENDMENT

Intended to be proposed by Mr. Brooks (for himself, Mr. WHEAT, Mr. REED, Mr. BREWSTER, Mr. BALL, Mr. CAIN, Mr. ROBERTSON of Wyoming, Mr. DWORKIN, Mr. HAWES, Mr. BUTLER, Mr. MALONE, Mr. ECK, and Mr. WATKINS) to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 8 (legislative day, FEBRUARY 2), 1948
Ordered to lie on the table and to be printed

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 8 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. BROOKS to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 12, beginning with line 6, strike out through and including line 23 on page 13, and insert in lieu thereof the following:

- 1 SPECIAL ECA MISSIONS ABROAD
- 2 SEC. 9. (a) There shall be established in each partici-
- 3 pating country, except as provided in subsection (d) of this
- 4 section, a special mission for economic cooperation under
- 5 the direction of a chief who shall have the title of Agent

1 for Economic Cooperation, hereinafter called the Agent, who
2 shall be responsible for the performance within such country
3 of operations under this Act. The Agent shall be appointed
4 by the Administrator, shall receive his instructions from the
5 Administrator, and shall report to the Administrator on
6 the performance of the duties assigned to him. The Agent
7 of the special mission shall take rank immediately after the
8 chief of the United States diplomatic mission in such country.

9 (b) The Agent of the special mission shall keep the
10 chief of the United States diplomatic mission fully and cur-
11 rently informed on matters, including prospective action,
12 arising within the scope of the operations of the special
13 mission and the chief of the diplomatic mission shall keep
14 the Agent of the special mission fully and currently informed
15 on matters relative to the conduct of the duties of the chief
16 of the special mission. The chief of the United States
17 diplomatic mission will be responsible for assuring that the
18 operations of the special mission are consistent with the
19 foreign-policy objectives of the United States in such country
20 and to that end whenever the chief of the United States
21 diplomatic mission believes that any action, proposed action,
22 or failure to act on the part of the special mission is incon-
23 sistent with such foreign-policy objectives, he shall so advise
24 the Agent of the special mission and the Agent-General.
25 If differences of view are not adjusted by consultation, the

1 matter shall be referred to the Secretary of State and the
2 Administrator for decision.

3 (c) The Secretary of State shall provide such office
4 space, facilities, and other administrative services for the
5 Agent-General and his staff, and for the special mission in
6 each participating country as may be agreed between the
7 Secretary of State and the Administrator.

8 (d) With respect to any of the zones of occupation
9 of Germany and of the Free Territory of Trieste, during
10 the period of occupation, the President shall make appro-
11 priate administrative arrangements for the conduct of opera-
12 tions under this Act, in order to enable the Administrator
13 to carry out his responsibility to assure the accomplishment
14 of the purposes of this Act.

AMENDMENT

Intended to be proposed by Mr. Brooks to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 8 (legislative day, FEBRUARY 2), 1948

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"While there is no question that the total supplies of typewriters now owned by the Government will more than fill all essential requirements, it is possible that the departments and agencies which have surplus machines will not necessarily be the ones whose requirements may expand in the coming year. To overcome this possibility, provision has been made in the bill whereby surplus typewriters will be surrendered to the Bureau of Federal Supply for redistribution to other agencies needing additional or replacement machines. The Bureau of Federal Supply has trucks, warehouse facilities, a typewriter-repair shop with trained personnel, and also has a Government Requirements Division already experienced in redistributing stocks between agencies. In addition it has a revolving fund, which can be drawn upon on a temporary basis to cover the costs of administration, hauling, repairing, and storing typewriters in the process of redistribution until the agencies receiving typewriters from the central stocks can be charged by the Bureau of Federal Supply. This is the only Government agency with these unique characteristics, which is the reason it was selected for carrying out this activity."

(See last page of this Digest for additional committee comments regarding purchasing, etc.)

2. COMMODITY SPECULATION. Rep. Keefe, Wis., criticized commodity speculation, particularly in cotton, and said "the overshadowing influence of government purchases continues to dominate the market" (p. 2481).
3. UN-AMERICAN ACTIVITIES. Agreed, without amendment, to H. Res. 484, providing \$200,000 for the Un-American Activities Committee (pp. 2483-96).
4. PURCHASING; BUILDINGS. Agreed, as reported, to H. Res. 479, providing \$40,000 for the Expenditures in the Executive Departments Committee to investigate procurement and building matters (p. 2497).
5. SURPLUS PROPERTY. Passed, without amendment, H. Res. 478, providing \$25,000 for the Expenditures Committee to investigate surplus-property matters (p. 2497).
6. EXPORT CONTROL. The Banking and Currency Committee reported without amendment H. R. 5470, which removes price criteria as a factor in the granting of export licenses (H. Rept. 1543) (p. 2215).
7. SUPPLEMENTAL APPROPRIATIONS. Received from the President (Mar. 5) a supplemental appropriation estimate of \$46,000 (Commerce Department) to provide for administration from Apr. 1 to May 31, 1948, of domestic allocations and export priorities of scarce materials (H.Doc. 557); and \$325,000 (State Department) for international information and educational activities (H.Doc. 556).

SENATE

8. FOREIGN AID. Continued debate on S. 2202, the ERP bill (pp. 2443-54, 2456-⁷⁷79). During the debate Sen. Langer, W.Dak., urged that additional funds be made available for REA (p. 2449).
Sen. Myers, Pa., submitted an amendment intended to be proposed by Sen. Magnuson, Wash., which, Sen. Magnuson says in his statement inserted in the Record, "seeks to insure that surplus agricultural commodities will be utilized in our foreign-aid program when the Secretary of Agriculture finds that the supply of the particular commodity is in excess of domestic requirements and the Administrator finds the commodity appropriate for use under the act" (p. 2441).
9. REPORTS. Received the annual reports of the Federal Security Agency and the Public Health Service (p. 2440).

BILLS INTRODUCED

10. TOBACCO. S. 2282, by Sen. Byrd, Va., to make Virginia fire-cured tobacco, comprising type 21, a separate kind of tobacco from other fire-cured tobacco, comprising types 22, 23, and 24. To Agriculture and Forestry Committee. (p. 2441.)
11. PERSONNEL. S. 2279, by Sen. Green, R.I., to extend the benefits of Sec. 1(c) of the Civil Service Retirement Act to employees who were involuntarily separated during the period from July 1, 1945, to July 1, 1947, after having rendered 25 years of service prior to attainment of age 55. To Post Office and Civil Service Committee. (p. 2441.)

H.R. 5786, by Rep. Battle, Ala., to provide additional compensation for employees of the Federal Government and of the government of the District of Columbia. To Post Office and Civil Service Committee. (p. 2528.)

H.R. 5779, by Rep. Hagen, Minn., to make Friday, Dec. 24, 1948, a holiday for all Federal officers and employees. To Post Office and Civil Service Committee. (p. 2528.)

H.R. 5778, by Rep. Forand, R.I., to extend the benefits of Sec. 1(c) of the Civil Service Retirement Act to employees who were involuntarily separated during the period from July 1, 1945, to July 1, 1947, after having rendered 25 years of service but prior to attainment of age 55. To Post Office and Civil Service Committee. (p. 2528.)
12. OLEOMARGARINE TAXES. H.R. 5772, by Rep. Battle, Ala., repealing certain provisions of the Internal Revenue Code relating to the tax on oleomargarine. To Agriculture Committee. (p. 2528.)
13. MINERAL LANDS. H.R. 5776, by Rep. Engle, Calif., to permit the mining, development, and utilization of the mineral resources of all public lands withdrawn or reserved for power development. To Public Lands Committee. (p. 2528.)
14. WATER UTILIZATION. H.R. 5777, by Rep. Fletcher, Calif., to strengthen national security and the common defense by authorizing the construction and operation of demonstration plants to produce potable water from sea water or other liquids elements, or substances, in order to promote the general welfare of the Nation and to conserve and increase the national water resources. To Armed Services Committee. (p. 2528.)

ITEMS IN APPENDIX

15. FOREIGN AID. Extension of remarks of Rep. Keating, N.Y., urging consideration of U.S. needs and capacity in providing aid for Europe and including a Rochester Democrat and Chronicle editorial on the subject (pp. A1552-3).
16. OLEOMARGARINE. Rep. Bryson, S. C., inserted a S.C. Legislature resolution urging repeal of oleomargarine taxes (p. A1544).

Rep. Davis, Wis., inserted a Hoard's Dairyman editorial, "Oleo and Soybeans" (p. A1552).
17. FOREIGN TRADE. Rep. Cooper, Tenn., inserted a Christian Science Monitor editorial favoring extension of the Reciprocal Trade Agreements Act (pp. A1544-5).
18. FEDERAL PAY INCREASES. Extension of remarks of Rep. Jones, Wash., favoring pay increases for Federal employees and inserting a constituent's letter on the subject (p. A1546).
19. RECLAMATION. Extension of remarks of Rep. Horan, Wash., opposing H.R. 2873, to amend the Reclamation Project Act of 1939 (pp. A1546-7).

REPORTS OF A COMMITTEE

The following reports of a committee were submitted:

By Mr. CAIN, from the Committee on Public Works:

H. R. 3506. A bill to provide for the acquisition of a site for a new Federal building in Huntington, W. Va., adjoining existing Federal buildings there, as an economy measure, before land values have increased as a result of improvements; without amendment (Rept. No. 971);

H. R. 4836. A bill to authorize the purchase of a new post-office site at Omaha, Nebr.; without amendment (Rept. No. 972); and

H. R. 4967. A bill to provide for the acquisition of a site and preparation of plans and specifications for a new postal building and for remodeling of the existing main post-office building in Portland, Oreg., and for other purposes; without amendment (Rept. No. 973).

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. THOMAS of Utah (for himself and Mr. WATKINS):

S. 2278. A bill to authorize the sale of certain public lands in San Juan County, Utah, to the Southwest Indian Mission, Inc.; to the Committee on Interior and Insular Affairs.

By Mr. GREEN:

S. 2279. A bill to extend the benefits of section 1 (c) of the Civil Service Retirement Act of May 29, 1930, as amended, to employees who were involuntarily separated during the period from July 1, 1945, to July 1, 1947, after having rendered 25 years of service but prior to attainment of age 55; to the Committee on Post Office and Civil Service.

By Mr. FERGUSON:

S. 2280. A bill authorizing the Secretary of the Interior to convey certain lands to the State of Michigan for public-park purposes; to the Committee on Interior and Insular Affairs.

By Mr. LANGER:

S. 2281. A bill to provide for air parcel-post service, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. BYRD:

S. 2282. A bill to make Virginia fire-cured tobacco, comprising type 21, a separate kind of tobacco from other fire-cured tobacco, comprising types 22, 23, and 24; to the Committee on Agriculture and Forestry.

(Mr. ELLENDEER introduced Senate bill 2283, to amend the Social Security Act, as amended, so as to increase the amounts of Federal contributions to the States for old-age assistance and aid to the blind, which was referred to the Committee on Finance, and appears under a separate heading.)

CONTROL AND REGULATION OF BANK HOLDING COMPANIES—AMENDMENTS

Mr. BUCK submitted amendments intended to be proposed by him to the bill (S. 829) to provide for control and regulation of bank holding companies, and for other purposes, which were ordered to lie on the table and to be printed.

EUROPEAN RECOVERY PROGRAM—AMENDMENTS

Mr. CAPEHART submitted an amendment in the nature of a substitute, intended to be proposed by him to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in

the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, which was ordered to lie on the table and to be printed.

Mr. MYERS. Mr. President, on behalf of the Senator from Washington [Mr. MAGNUSON] I submit an amendment intended to be proposed by him to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

The PRESIDENT pro tempore. The amendment will be received, printed, and lie on the table.

Subsequently,

Mr. MYERS. I ask unanimous consent to have printed in the RECORD a statement by the senior Senator from Washington [Mr. MAGNUSON] with reference to the amendment I submitted for him early today to Senate bill 2202, which is now the unfinished business.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR WARREN G. MAGNUSON
IN SUBMITTING PROPOSED AMENDMENT TO SECTION 12 (C) OF THE ECONOMIC COOPERATION ACT (S. 2202)

My amendment to S. 2202 relates to the use of surplus agricultural commodities in our foreign-aid program. It is in the nature of a substitute for section 12 (c) appearing on page 22 of the present bill. My amendment, however, retains certain language presently contained in section 12 (c), language which I understand has the particular support of the senior Senator from Kentucky.

This amendment seeks to insure that surplus agricultural commodities will be utilized in our foreign-aid program when the Secretary of Agriculture finds that the supply of the particular commodity is in excess of domestic requirements and the Administrator finds the commodity appropriate for use under the act.

The amendment states that where possible the Administrator shall utilize normal channels of private trade in the procurement of such commodities. I deem this requirement necessary and desirable because as the European recovery plan achieves its objectives, private trade between our businessmen and their former customers in the participating nations should be progressively strengthened. As this program to aid the nations of western Europe achieves success in restoring their economy, a concomitant result will be the progressive substitution of private trade for United States assistance.

The Foreign Relations Committee recognizes this principle in its report on S. 2202. On page 33 the committee states: "Private procurement and normal channels of commerce, trade, and transportation are to be used to the maximum extent practicable."

When the Secretary of Agriculture finds that the supply of a number of commodities is in excess of domestic requirements and the Administrator finds these same commodities appropriate for use under this act, the question arises: "How much of each shall be procured?" My amendment seeks to give the Administrator some guidance in making this decision. It stipulates that in making this decision the Administrator shall ask himself these questions:

"Did the participating countries express a need for these commodities in the reports

of the Committee on European Economic Cooperation; and if so, in what amounts?"

"What is the extent of our domestic surplus of each?"

"To what extent historically did growers rely upon markets in the participating countries?"

Let me explain briefly why these questions are pertinent. First, it is clear the needs of the participating countries must be considered; second, while helping others, we can help our own economy most by furnishing the participating countries those commodities which are most plentiful in the United States. I think it justifiable while focusing our eyes on the main objective of this act, to take a look in the rear-view mirror to insure that the assistance we are giving has a minimum impact upon our own economy; third, the bulk of our export trade with European countries—for a time at least—will be carried on under the Economic Cooperation Act now under discussion. Consideration, therefore, must be given to those branches of our agricultural economy which have spent time and money developing markets for their product in the participating countries and who historically have relied upon such markets for the normal movement of their products.

In my judgment, the guide posts which I have just described are sufficiently flexible to avoid tying the hands of the Administrator. They are sufficiently broad to insure consideration of all agricultural commodities, and classes or types thereof, in surplus supply. Yet they avoid the obvious impracticality of trying to force unneeded commodities upon the participating nations.

The last part of my amendment deals with the relationship between price-support programs and foreign aid. Direct purchases of agricultural commodities under the recovery program may not absorb the entire domestic surplus of some farm products. To some extent, therefore, price-support purchases of eligible commodities will no doubt be undertaken by Commodity Credit Corporation. Commodities so purchased will be of value to participating countries and will no doubt be desired for use in the foreign-aid program by the Administrator. Because such commodities will be acquired with domestic price support as a prime objective, but at the same time will be used in our recovery programs, I believe it is appropriate to divide the cost of such commodities between funds appropriated for the two purposes. My amendment, therefore, provides that Commodity Credit Corporation may dispose of appropriate acquisitions to the Administrator at not less than 50 percent of actual cost. This provision is within the framework of S. 2202 and conforms to a principle already tested under the Foreign Aid Act of 1947.

I know that every Senator on the floor is interested in assisting those branches of agriculture confronted with a serious surplus. I think this amendment provides an opportunity for each of my associates to assist in a solution of such problems, insofar as solution is practicable in this Foreign Aid Act.

REDUCTION OF INCOME-TAX PAYMENTS—AMENDMENTS

Mr. McCARRAN. Mr. President, I ask unanimous consent to submit two amendments which I intend to propose at the proper time to the bill (H. R. 4790) to reduce individual-income-tax payments, and for other purposes, now pending before the Committee on Finance. I ask that these amendments be printed and referred to that committee, and that they be printed at the appropriate place in the explanatory statement I have prepared, and which I request be printed in the RECORD.

The PRESIDENT pro tempore. Without objection the amendments will be received, printed, and lie on the table, and, without objection, the explanatory statement will be printed in the RECORD as requested by the Senator from Nevada.

The statement presented by Mr. McCARRAN was ordered to be printed in the RECORD, as follows:

Mr. McCARRAN. It is not my purpose to discuss these amendments at length today; but I do wish to call them to the attention of the Senate, with the hope that Senators may have opportunity to become familiar with them before the tax bill comes to the floor.

One of these two amendments is aimed at correcting the inequities resulting from the fact that our present system of taxing corporate dividends as income is double taxation.

My proposed amendment would deal with this problem of double taxation by allowing a credit to each stockholder in a corporation for his pro rata share of taxes paid by the corporation on its earnings.

This would not involve any complex formula, nor any substantial amount of bookkeeping. So far as the taxpayer is concerned, the bookkeeping involved would be negligible; and all that would be required of a corporation would be to report, to all of its stockholders, the amount of taxes paid and the proportion of the total corporate stock, issued and outstanding, which is represented by one share of stock. The taxpayer could then multiply that percentage by the number of shares he held, and he would know exactly how much of the corporate tax he was allowed to take credit for.

Two principal arguments have been made against this proposal. The first of these arguments is that in some cases the taxpayer might find that the credit to be allowed him for taxes paid by the corporation or corporations in which he held stock was greater than the tax which he would otherwise be required to pay, and that he would therefore be entitled to a refund; and it is argued that there is something terrible about the very thought of any such refunds.

It is also argued that the making of such refunds would be a terribly complicated process. That argument is not credible. The making of such refunds would not be any more complicated than the making of refunds on withholding taxes. But however that may be, if the Government has collected taxes from any citizen in excess of the taxes to which the Government is entitled, there should be a refund; it is neither honest nor plausible to argue that a refund to which a taxpayer is entitled should be withheld just because it would cost the Government a certain amount of effort to return what it took improperly.

More than half of all the dividends received in the United States are received by people whose total incomes are less than \$5,000 per year. Many of these people live wholly, or almost entirely, on dividends. With the dollar shrunken in buying power, as it is today, many of these people are having great trouble making ends meet. My amendment to eliminate double taxation would give these people immediate and effective relief, and relief to which, in equity, they clearly are entitled.

(The amendment dealing with the problem of double taxation submitted by Mr. McCARRAN is as follows:)

"At the proper place in the bill, insert the following:

"ELIMINATION OF DOUBLE TAXATION

"SEC. . Section 23 (d) of the Internal Revenue Code, as amended, is further amended by renumbering the matter now

contained therein as clause (1) and by adding thereto a new paragraph as follows:

"(2) The deduction for taxes allowed by subsection (c) shall be allowed to a stockholder of a corporation in the case of taxes imposed upon the earnings of the corporation and paid by the corporation: *Provided*, That such allowance in no case shall exceed that proportion of such taxes bearing the same ratio to the total taxes so imposed and paid as the shares of stock owned by the stockholder bear to the total corporate stock issued and outstanding."

Mr. McCARRAN. The second amendment which I have proposed to the pending tax bill is designed to permit, and to encourage, the plowing back of business profits into increased production, through the expansion, improvement, and modernization of plant facilities.

(The second amendment submitted by Mr. McCARRAN is as follows:)

"At the proper place in the bill insert the following:

"BUSINESS PROFITS FOR EXPANSION

"SEC. . Section 23 of the Internal Revenue Code (relating to deductions from gross income) is hereby amended by adding at the end thereof a new subsection to read as follows:

"(bb) Capital Expenditures for Trade or Business.—At the election of a taxpayer, all expenditures (subject to limitations prescribed below) paid or incurred during the taxable year for the acquisition, construction, or improvement of any real or personal property to be used in a trade or business. Total deductions under this subsection in any 1 year shall not exceed \$125,000 or 50 percent of the taxpayer's net income as computed without the benefits of this subsection, whichever is the lesser. If in any year expenditures deductible under this subsection are less than the total of such expenditures, the balance may be added to the expenditures of the immediately succeeding year and be considered for the purposes of this subsection as having been made in such immediately succeeding year. Such expenditures shall be allowable as deductions only under rules and regulations prescribed by the Commissioner, with the approval of the Secretary."

"SEC. . Section 24 (a) (2) of the Internal Revenue Code (relating to items not deductible from gross income) is hereby amended to read as follows: "Any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, except as provided in section 23 (bb);"

"SEC. . Section 113 (b) (1) of the Internal Revenue Code (relating to adjusted basis for property) is hereby amended by striking out the period at the end of subparagraph (H), and inserting in lieu thereof a semicolon and by adding after subparagraph (H) a new subparagraph to read as follows:

"(I) for expenditures deducted under the provisions of section 23 (bb)."

"SEC. . The amendments made by sections —, —, and of this act shall be applicable only with respect to taxable years beginning after December 31, 1947."

Mr. McCARRAN. The centralization of industrial power in the United States is growing yearly. One of the factors working toward a constantly greater and greater centralization is the inability of small business to grow in the traditional American fashion.

In a capitalistic democracy such as ours, it is vitally important to have a constant infusion of new blood at the bottom of the business ladder, in all fields of endeavors; and to give those who start new enterprises every reasonable opportunity and inducement to grow.

Our present tax structure does not provide such opportunity and such inducement.

The profits from a business, which the proprietor invests in new plant, machinery,

or equipment, to increase his production, are taxed just like any other profits. Such expenditures are not deductible expenses in the year in which made. They have to be capitalized, and then the capital expenditure must be amortized over a period of years.

The amendment which I have proposed would permit capital expenditures, within certain limitations, to be allowed as a deduction in computing taxable income.

To put it another way, this proposal amounts to 100 percent depreciation on capital expenditures, within certain limits.

The amendment suggests a limitation of not exceeding \$125,000, or 50 percent of the taxpayer's net income, whichever is the lesser, in any given year.

Perhaps this figure is too high, though I have heard many contend that it is too low. I am particularly interested in helping small business; and if it should be the judgment of the Senate that this dollar limitation should be reduced, I would be content, provided the limit should not, in an excess of caution, be set too low. I do not believe it should go, in any case, below \$50,000 as the maximum limit. Many small businesses would be greatly helped by the opportunity to make even that much of an expenditure, for expansion or plant improvements, on a tax deductible basis. But with costs in all lines as high as they are today, the maximum limitation should be set higher than this in order to provide the maximum relief and the maximum benefit.

We still have in this country today an excess of demand over supply in many fields, including still many items of consumer goods. General tax relief will only increase that demand, without doing anything to increase the supply. This amendment which I have proposed would do something about increasing the supply, since it would provide incentive for expanded production.

This proposal would afford particularly effective relief to the small, unincorporated businessman. The present tax rate for corporations ranges from 21 percent to 38 percent, with profits below \$50,000, and rests at 38 percent where profits are larger. But the small-businessman who is unincorporated runs head-on into an even greater tax barrier, because under the present law a small-business man with an income of \$50,000 pays out more than 50 percent of his income in taxes. Under those conditions, it is almost impossible for a man to build a business.

Big business has the financial contacts—the contacts with banks, with underwriters, with large investors—to borrow the money it needs for expansion. In many cases a small-business man has only one source of money—the profits on his business.

This country needs small business. It needs small business that has a chance to grow and play a real part in our economy. But small business cannot grow unless it has the money to finance expansion. And even if a small-business man is able to get the capital he needs from outside his business, he often runs the risk, in getting it, of losing control of his business to outsiders, or, more particularly, to his big-business competitors.

My proposed amendment would give him an opportunity to plow back into the expansion of his business some of the profits from that business.

Taxes that reduce the funds available for plowing back into a small business handicap the growth of small business in general, and continue to assist big business in retaining its superior position.

It is apparent that if this amendment is adopted there will be a reduction in tax revenues, in proportion to the increase in capital investments, for expansion and increased production which would be brought about.

It must be remembered, however, that what is proposed here is simply a taking of depreciation all at once, and that no further deductions for the same depreciation will be

allowed in future years. Tax collections, therefore, will tend to even out, and in the long run it is hard to see how the Government would lose any money. In fact, I anticipate that the gains in taxable production, through the stimulation of business which this measure would bring about, will yield a substantially increased tax revenue in future years.

The important fact to remember is this: Whatever this proposal would cost the Government in anticipated tax revenue would necessarily be only a fraction of the amount by which it would increase capital expenditures, for expansion of business, and for increased production. I count that one of the strongest possible arguments in favor of the proposal.

I have received many letters about this proposal, from all over the country, since I first offered it as a proposed amendment to the tax bill which was considered at the last session of the Congress.

One of those letters was from Mr. Bernard M. Baruch. I quoted from Mr. Baruch's letter when I addressed the Senate on this proposal last year. Let me quote from it again, in closing. Mr. Baruch wrote: "I just want to say that the general purpose of your plan is good. I would rather do something of this kind than to reduce taxes in any other form."

Referring to the effect of the present tax situation on unincorporated small business, Mr. Baruch wrote:

"No unincorporated business can get ahead. It is bad enough for a small incorporated business. That is the quarrel I had as regards the previous tax reduction—that the corporations got the benefit, placing the individual at a greater disadvantage than ever."

Mr. Baruch, of course, does not favor any tax reduction at this time; but I think it is significant that, even though he holds that view, Mr. Baruch wrote, in his letter to me that—

"Such a plan as yours will stimulate business, thus stimulating volume and bringing our economy more into balance."

That is one of the strongest arguments for this amendment which can be made.

HOUSE BILL REFERRED

The bill (H. R. 5728) making appropriations for the Department of Labor, the Federal Security Agency, and related independent agencies for the fiscal year ending June 30, 1949, and for other purposes, was read twice by its title, and referred to the Committee on Appropriations.

ADDRESS BY MRS. PEARL S. BUCK AT GANDHI MEMORIAL

[Mr. THOMAS of Utah asked and obtained leave to have printed in the RECORD an address delivered by Mrs. Pearl S. Buck at the Gandhi memorial held in Washington on February 11, 1948, which appears in the Appendix.]

CONDITIONS IN SPAIN—ARTICLE BY FRANK C. WALDROP

[Mr. CHAVEZ asked and obtained leave to have printed in the RECORD an article entitled "Spain?" by Frank C. Waldrop, from the Washington Times-Herald of March 9, 1948, which appears in the Appendix.]

ADDRESS BY SENATOR JOHNSON OF COLORADO ON PLACING A WREATH ON THE JOHN ERICSSON STATUE

[Mr. JOHNSON of California asked and obtained leave to have printed in the RECORD an address delivered by him on the occasion of placing a wreath on the John Ericsson statue, which appears in the Appendix.]

NOTICE OF HEARING ON NOMINATION OF HERMAN E. MOORE TO BE JUDGE, DIS- TRICT COURT OF THE VIRGIN ISLANDS

Mr. WILEY. Mr. President, on behalf of the Committee on the Judiciary, and in accordance with the rules of the committee, I desire to give notice that a public hearing has been scheduled for Tuesday, March 16, 1948, at 10 a. m., in the Senate Judiciary Committee room, room 424, Senate Office Building, upon the nomination of Herman E. Moore, of Illinois, to be judge of the District Court of the Virgin Islands of the United States. Judge Moore is now serving in this post under an appointment which expired February 10, 1948. At the indicated time and place all persons interested in the nomination may make such representations as may be pertinent. The subcommittee consists of the Senator from Michigan [Mr. FERGUSON], chairman; the Senator from Oklahoma [Mr. MOORE]; and the Senator from Arkansas [Mr. FULBRIGHT].

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. LANGER. Mr. President, yesterday I was discussing the question of displaced persons, and the connection that has with the Marshall plan.

I am sure every Senator will be interested in an article which appeared in the Legislative Bulletin, of which John Thomas Taylor is the Director, a publication issued by the American Legion.

Mr. President, there is on the statute books a lobby law, and one who comes to Washington to advocate a bill pending in Congress must register. I am sure all Senators will be interested in knowing how many are registered as lobbyists in behalf of the displaced persons bill.

I read from the Legislative Bulletin, to which I have just referred:

In addition to numerous organizations registered with the Senate and House of Representatives who are working in behalf of the admission of displaced persons, either by relaxing immigration quotas or otherwise, during the past quarter the following persons have been registered with Congress as legislative representatives of the Citizens Committee on Displaced Persons.

In other words, Mr. President, for this one committee, the Citizens Committee on Displaced Persons, the following persons are registered, and I shall state their salaries as they appear in the records of the Senate and the House of Representatives:

Name	Annual salary
James M. Kiernan.....	\$15,000
Thomas M. Cooley.....	12,000
Leo J. Margolin.....	12,000
Jack Wasserman.....	12,000
Vinton E. Ziegler.....	8,000
William S. Bernard.....	7,500

Name	Annual salary
Curtis Edward Johnson.....	\$7,500
Myron Ray Ely.....	6,000
Robert W. Pearson.....	6,000
Helen Alcott Shuford.....	6,000
Clara Leiser.....	5,220
Pearl Richardson.....	5,220
Peggy Harris.....	5,220
John T. D. Franzen.....	5,040
Eric Kocher.....	5,040
Blossom Steinart.....	5,040
Beatrice Wellington.....	5,040
Meredith Selby.....	4,800
Elizabeth Buck.....	4,320
Patricia Ritter.....	4,080
Elizabeth Gardiner.....	4,020
Charlotte E. Abbott.....	4,000
Harry L. Bennett, Jr.....	3,000
Total.....	152,020

Mr. President, a total of \$152,020 is paid to these lobbyists by one organization, the Citizens Committee on Displaced Persons. But that is not all. I continue to read from the Legislative Bulletin:

In addition to salaries, these people also receive "actual amount of out-of-pocket expenses," which includes such items as air and railroad fares, hotels, meals, telegraph, telephone, and postage. As they are operating from two different addresses in New York City, which no doubt requires much traveling to Washington in connection with their lobbying activities, these expenses are no doubt very extensive.

That is a statement which also appears, Mr. President, in the Legislative Bulletin of the American Legion. So we have the spectacle that the Citizens Committee on Displaced Persons has hired lobbyists who are paid \$152,020 in order to lobby a bill through the Congress of the United States.

Mr. President, I submit that these are not all the lobbyists we have, because other organizations, aside from the Citizens Committee on Displaced Persons, also have representatives in Washington. Last evening I read an article in the Washington Evening Star, by Joseph Young, entitled "Federal Leave System Abuse Needs Change, BRIDGES and BALL SAY."

I wish to say in connection with the article that I was delighted and very happy indeed to note in it that some Senators have at last awakened to the fact that Federal employees are human, that they are not machines or robots; nor men and women, boys and girls, working under a narcotic influence which prevents them from becoming ill, sick, or tired.

Mr. President, I ask unanimous consent that at this point in my remarks the article by Mr. Young may be printed in the RECORD.

The PRESIDING OFFICER (Mr. LODGE in the chair). Without objection, it is so ordered.

The article is as follows:

[From the Washington Evening Star of March 8, 1948]

FEDERAL LEAVE SYSTEM ABUSE NEEDS CHANGE,
BRIDGES AND BALL SAY
(By Joseph Young)

A sharp attack on the Government's sick and annual-leave system was made today by Chairman BRIDGES, of the Senate Appropria-

tions Committee, as he called on Congress to review the entire Federal leave system.

Senator BALL, Republican, of Minnesota, who headed a Senate appropriations subcommittee which conducted a study of Federal employees' leave privileges, joined with Senator BRIDGES in asking that the whole system be reviewed "with a view to eliminating abuses and tightening up what may be a too-liberal leave system."

The subcommittee study showed "a widespread abuse of sick-leave privileges" among Federal employees, the Senators declared.

CALLED HIDDEN OBLIGATION

"Sick and annual leave constitute an extremely sizable financial obligation of the Federal Government and, in a sense, one of the hidden appropriations in the total that make up the budget for each fiscal year," the Senators declared.

They said that more than 73 percent of all Government employees use sick-leave privileges during the 9-month period in which the study was made. In some agencies the average was close to 100 percent, Senator BRIDGES declared.

The subcommittee's report declared "many departments and agencies, the larger ones particularly, report frequent abuse of the privilege. Most frequent among these were absences immediately preceding or immediately subsequent to a week end, absences for longer periods than are actually required for medical, dental, or optical treatment, and absences when a reduction-in-force order is about to be effected."

Government employees are allowed 26 days' vacation each year and 15 days of sick leave, if necessary.

PRIVATE WORK COMPARED

Turning to annual-leave provisions, the subcommittee's report stated that, in comparison with private industry, the Government is unique in the amount of leave benefits it grants its employees.

The total sick- and annual-leave accumulations in the Government represent a potential obligation of \$1,100,000,000, the report declared, referring to the fact that when Federal employees leave the service they are entitled to cash payments for their unused leave privileges.

Senator BRIDGES said that Federal employees who availed themselves of all their leave privileges worked only 212 days a year, or only 58 percent of the time.

AVAILABILITY POWERFUL LURE

He cited the remark made by a bureau head to one of the committee's investigators, in which the official declared:

"As long as sick leave is available, most employees will use it upon the slightest malaise."

Most frequent abuses of sick-leave privileges are noncareer employees, especially those whose work is monotonous or distasteful, the report asserted.

In an effort to eliminate abuses of sick-leave privileges, the Civil Service Commission recently gave Federal agencies the power to require doctors' certificates from employees who utilize them.

Mr. LANGER. Mr. President, during the long years of the war, long, long, tedious hours, from early in the morning until late at night, the patriotic efforts of our Federal employees continued unabated. Possibly they were exceeded in their zeal only by the railroad workers, who with their younger men in the armed forces, with 21 percent less employees than they had had before the war commenced, moved twice as much freight and did twice as much work, with twice as much profit to the railroads. One of the great sagas of the war was the work done by the railroad employees.

It is indeed refreshing to note that the distinguished Senator from New Hampshire, the chairman of the Appropriations Committee, and his associate, the distinguished senior Senator from Minnesota, have conducted a study of Federal employees' leave privileges. From the newspaper account, I note they studied only for a 9-month period. Now, I do not know just what 9 months they were, but I am satisfied that, if they will investigate, they will find that those in the higher brackets—commencing about \$10,000 a year—leave Washington for a 3-month vacation. It may be a judge, tired—very, very tired and worn out from his arduous duties. In North Dakota there was a Federal judge who not only went to the lakes in the summertime, but went to Florida in the wintertime. Apparently he worked so hard during 5 or 6 months that he was obliged to go away both during the summer and the winter. It may be a Member of the Senate, who after working hard from January until July must leave the disagreeable climate of Washington during July, August, and September to regain his health, possibly, or to find out how things are going in Greece, Germany, Austria, Iran, or South America. And I remember one Senator well who used to investigate Yellowstone National Park regularly every summer—in fact, he had a suite of rooms assigned to him at the hotel near Old Faithful.

Rarely, Mr. President, have I seen such trembling solicitude for Federal employees as we find here in the Senate at the present time, when we are voting five or six billions of dollars to foreign countries and are anxious to see that at the same time we take care of our own employees who had not had a pay raise until 1945. Of course, when they got that pay raise, an Executive order promptly took away overtime so that, with the income tax, the employees got less than they got before. Just think of it—Government employees are allowed 26 days' vacation each year and 15 days of sick leave, if necessary. Of course, it is not as much as they get in Russia, but then Russia is a barbarous country. I mention Russia because it is asserted that the Marshall plan is necessary to be adopted in order to stave off communism. In Russia the Government gives them 30 days, buys them a ticket, sends them off to a nice fresh-water lake with all members of their families. All their expenses are paid while they are at the lake, and they get their ticket back home.

There are thousands of GI's who went out to fight for their country, who receive but \$1,900 a year as mail handlers, for example, in the post office department. If they work real hard they will get a raise of \$100 the next year. But when they get to the point where they are paid \$2,500 they receive no further increase. As mail handlers, or in similar jobs, they must work those 41 days additional to keep body and soul together. Testimony before the subcommittee of the Committee on Post Office and Civil Service shows that hundreds of these men work after hours, at night, because they cannot possibly live on \$1,900 a year with the cost of living what it is at the present time.

It is said that the total sick and annual leave accumulations in the Federal Government represent a potential obligation of \$1,100,000,000. Worse yet, when Federal employees leave the service they are entitled to cash payments for their unused leave privileges. In just a moment I will come back to the question of cash payments for unused leave privileges.

There are 52 Sundays and 52 Saturdays in 1 year. That makes a total of 104 days. There are 8 holidays, which added to the 104 days, make a total of 112 days. There are 365 days in 1 year, and when we subtract 112 we have left 253 days. If we deduct 26 days of vacation, we have 227 days left, and when we take off 15 days sick leave, we have 212 days left. It is just as simple as that.

Of course, it must be understood that these Federal employees are not regular citizens. For example, no matter how bad conditions become, they have no right to strike. They have no right to take part in politics. If they want to better their conditions by getting together politically, they automatically lose their jobs. In addition, a man or woman who has put in 25 or 30 years of his life may go to work some morning to find that he has no job, because some GI or WAC, under veterans' preference, has come in during the night and taken his desk, even though the Government employee has a 100 percent efficiency rating and has civil service status. That happens to men and women who have worked 25 or 26 years for the Government, who have a 100 percent efficiency rating, who have rendered good service, and who have an excellent status. No one wants to employ women who are 51 or 52 years old. Employers would rather have a girl of 19, 23, or 24. A Government employee may be thrown out of a job overnight because some WAC or GI, under veterans' preference, has a right to take that job away from him, no matter how efficient he has been. No matter how honest or patriotic he has been, he is out. That is the law which the Congress of the United States has enacted.

I wonder how many Senators would be inclined to take sick leave if tomorrow some young man or woman could walk in and say, "Mr. Senator, I have preference. You are out and I am in."

We now have a situation in which Government employees take more sick leave than they did before. Because of the war, when hours meant nothing to them, they are tired. Some of them have not yet recovered from the long hours they worked patriotically for our Government. Also, of course, the average age is higher. They are 5 or 6 years older than they were when the war started. So they take a little more sick leave than they used to take.

As a rule young folks will not take Government jobs if they can possibly avoid it. As chairman of the Committee on Post Office and Civil Service, I would say to any young man or woman, "You are smart not to take a Government job, because at the present time there is very little future in a Government job."

It seems that nearly everyone hounds the Government employee. For example, take a person working in the post office. I have the records here. I wrote to every

single postmaster in the United States. I sent 42,000 of them each a letter. I wanted to find out the working conditions. I wanted to find out about their equipment. I have the replies in my office. I have copies of some of them before me.

Sometimes post-office workers must work with the snow blowing in the window because there is no glass in the window. Sometimes post-office workers must work with so much water on the floor that they are required to wear overshoes. Others have to work with typewriters more than 30 years old. Some work with complicated machines which they must borrow. If any Senator is interested, I have the names of these people.

As chairman of the Committee on Post Office and Civil Service I can assure every Senator, from first-hand knowledge and correspondence, that postmasters are pleading for some of the most rudimentary equipment with which to transact the business of the Post Office Department.

Come with me to a little city of 3,500 people in Minnesota, and see the 7-foot-long board which is the post-office desk, counter, or whatever one chooses to call it. Across this board the postmaster and his assistants sell \$25,000 worth of stamps every year, as well as conduct \$75,000 worth of general business, including money orders, postal savings, and the like. Yet we indulge in international double-talk, and tell how much we must spend, and how much we want to pay, for other nations to enjoy. If I do not mistake the signs, we have almost become a "have not" Nation. Certainly we have not attempted to put our domestic house in order.

Here is a town in Pennsylvania whose post office needed a safe in which to keep valuables. The safe was not supplied by the Government. The Government would not buy a safe. The safe was supplied by a citizen. The doors of that post office were so flimsy that a strong wind, not a storm, might blow them apart. They hung loosely on their hinges.

In a second-class post office at Fairbury, Ill.—I might as well give the names of these places, so that if any Senator wishes to make an investigation he can do so—the postmaster reports:

Our most urgent need is a safe room for the protection of valuables and stamp stock, with sales drawers to maintain individual responsibility.

Have Senators ever visited Beaver Dam, Wis., where Postmaster John L. Cunningham makes the following statement?

We are badly in need of a parcel-post desk in our post-office lobby. You can see from the enclosed picture that parcel post has to be lifted and pushed through a 17 by 24-inch opening. If anything larger than 17 by 24 inches is presented, the window clerk has to crawl under the counter and open a small door to take in the package. Our building is 30 years old, and there has never been any change in the original screen-line installation. Our receipts this year will run about \$130,000, and since the express company raised its rates we get a great volume of parcel post. The window clerks are not permitted to paste stamps on

patrons' parcels, so they have to have large parcels rated up and then take them away from the window, put on stamps, then get back in line to present them. Our window is 48 inches from the floor. You can see from the picture that the women at the window cannot paste stamps on a large package without taking it away.

Can it be that the material for this equipment has already gone to Europe?

Let us look at the situation in Westford, Mass., where Henrietta R. McNiff is acting postmaster. This lady says:

We are badly in need of all equipment, as the only things we have here are a few odds and ends picked up to make it possible to carry on. In general, everything here is obsolete and in need of repairs. We most certainly could use a new outfit in general for this office.

Mr. President, in order to make the survey geographically more complete, I now turn to Saguache, Colo., where Mrs. Esta M. Fuson is postmaster. She makes this statement:

Our equipment is roughly made as to tables, etc. The canceling machine, typewriter, and adding machine are old, but I can't afford to replace them. The office itself is a disgrace to the Department. It is filthy, dirty as to walls, some of the plaster has fallen. In spots the lighting is dangerous, as it is merely dropped cords hung from one double socket to another and is a fire hazard. The Department has sent in an inspector several times to check on the conditions of the office. They all agree something should be done but nothing happens. And after 7 years of working in such unsightly surroundings.

Now let us turn to Connecticut, where the postmaster at Poquonock declares:

When I took over this office in June 1946 I had to buy the post boxes, which according to hearsay are 100 years old. I also had to buy a stove, safe, desk, and two chairs, besides other equipment. The Department refused me a sorting case, therefore I had to build one at my own expense and at my own time. We have no filing cabinets, typewriter, calculator, or many other things that would make this a modern office.

Can it be, Mr. President, that we have sent all our available typewriters, calculators, filing cabinets, lockers, and sorting cases, as well as lock boxes, to some other nations, along with our money, and at the same time find that it is necessary to curtail our governmental expenditures, so that we do not even leave ourselves the money with which to buy such necessities, even if they were available?

Let us look at Bridgehampton, N. Y., where Marjorie Dickinson is postmaster. This is a second-class post office. Miss Dickinson reports as follows:

There are no cabinets or cupboards for keeping permanent records; they are piled in card boxes in the cellar covered with ashes and dust and being chewed up by mice.

Those are Government records which the United States at almost any time may be called upon to produce in the case of claims or other instances which can easily cost the Government money. Yet rats and mice are making their private recovery program out of such records.

If there are Members of the Senate who have not visited a third-class post office, I would have them go with me to

Gardendale, Ala., and talk to the postmaster there, and they will learn what I have already learned, which is reported as follows:

For years an unattractive and unpainted shack has been the only representative of the United States Government in our community. If there isn't enough funds to carry out the program, permit me to thank you again for your letter. It did my heart good and I received your letter in a most appreciative manner.

In the same State of Alabama, at Hacklebury, we shall be greeted by Fannie K. Frederick, the postmaster, who states:

More than anything else, we need a decent post-office building. The one we are now occupying is shameful. It once was wrecked by a storm and is in very bad condition. The owner refuses to repair it unless the Post Office Department will pay more rent. Anything Congress can do will be appreciated and remembered by us.

I have before me other communications from post offices in Alabama, including one from Mobile, and I have one from Aberdeen, Idaho, and so forth.

Here is one from Georgia. The postmaster at Milan, Ga., says:

The roof has leaked for the past several years, so that the employees are forced to wear overshoes when it rains.

That is the condition in that post office of the United States Government. When it rains there, the roof leaks, and all the help has to put on overshoes.

I read further:

It has leaked for so many years that it has caused the overhead wood framing to damage and sway down, making it very unsafe for the public and the postal employees. The windows and doors are so badly misfitted with cracks on the floor that it is impossible to keep the office force comfortable in the winter. I feel that upon inspection the building would be condemned as unsafe and a health menace, as attested by the number of cases of Brill's fever among the employees.

Mr. President, when an employee of the Federal Government gets Brills fever because of roof leaks and because the water comes down through the roof, forcing the employees to put on overshoes, but finally they become sick, then I maintain that 15 days a year of sick leave is not enough.

At Niagara, Wis.—and this is not a third-class or fourth-class post office, but it is a second-class post office—the acting postmaster declares:

The thing we need here mostly is a new post office. The antiquated shack that we are conducting business in is an eyesore to the community. Not only that, but we are constantly wondering if the roof is going to fall in, or the floor drop from beneath our feet.

At Russellton, Va., Delia Saloman, postmaster, declares she has 400 lock boxes rented and that "the task of replacing them is more than I can afford." She adds that:

In my 13 years of service, I have practically worn out my typewriter and could use a new one, since there are phases of the work that must be done by typewriter. I have one small filing cabinet for current business, but no place for old records. A new filing cabinet and adding machine would be a time saver but is not a necessity.

At Annandale, N. J., Mr. Cecil R. McConnell is postmaster. Mr. McConnell reports that:

We could use just about everything and anything. A great need, as I see it, is a safe, as the last one I provided was badly damaged when this post office was robbed the night of December 20, 1940. I have since kept a book of this office's postage-stamp stock and valuables in my home and cart most of the rest of the stock in valuables to and from my home nights and mornings, this being the best sort of protection I am able to afford.

He further says:

I also would like to point out that our post-office building's present condition is inadequate for postal service, with no toilet facilities and no heating plant, necessitating our relying upon oil burners because of high ceilings and no insulation against the weather. The post-office building needs, among other things, repainting inside and out, as it has not been painted since I received my postmaster appointment back in 1935. Contributing my services, I have once painted the interior of the post-office building myself while I was postmaster under the late Woodrow Wilson. All secure fastenings on the doors of the post-office building, a plain structure, and a different lock on the front door are among other needs.

I mention all these different States, Mr. President, so that the situation may be shown to be the same all over the country. This one is from Texas. The acting postmaster, Grace G. Sandelin, of Flatwood, Tex., reports:

I have 131 lock boxes. All of them with the exception of 6 are extremely old and out of date. They are so old I cannot get parts to repair them. I really need to have them replaced with new ones and could use 25 more if I had them. I have 3 chairs in the office. One of them is a fairly nice swivel chair, but the other two are old and really worn out. I could also use a large locker to keep my records in, thus eliminating the mice getting at them.

We now go to California. At Riverdale in that State the acting postmaster there is Mr. D. B. Dadasci. He says:

The adding machine we are using is borrowed from one of the postoffice clerks, who would like very much to have it back. It is of a very ancient vintage. The serviceman for the Burroughs Adding Machine Co. says it is one of the oldest machines in use.

The Burroughs Adding Machine Co. began business a little over 50 years ago.

The second-class postoffice at Downsville, La., reports through its postmaster, Mr. T. Oliver Thibadeau, as follows:

At the end of every quarter and often at the end of the month I have had to resort to borrowing a machine from a department store, a parish house, and so forth, wherever a machine is available.

Mr. President, I have taken the time briefly to look at the progress of the rural electrification program, particularly in my own State of North Dakota. I find that conductors, poles, and wire, and almost every other material going into the lines has been slow in coming through. Mr. Ted V. Byzewski, of Marvel, N. Dak., still gropes around his farm in the darkness, unable to get kerosene or gasoline, and of course his most menial chores have to be done by hand. America still is not lighted up.

From Ashley, N. Dak., Mr. Theophil Haas writes:

I wish to say that if you Senators would live on a farm the way we people do, you

would see that the service of REA is urgently needed; indeed, it is very urgently needed. The farmer is the man who feeds the world. We farmers would be willing to pay a price for this service if we could only obtain it. The 32-volt plants are good for light and for a few quarter-horsepower motors, but they don't seem to hold out.

It is apparent that while Russia and other nations are going forward headlong into high-tension electrical programs, America is still dragging its feet.

Here is a letter from Gideon Oldenburger, of Napoleon, N. Dak.:

I think the farmer's wife would say it was a godsend if she could have running water, refrigeration, and many other things that are too numerous to mention. I and other farmers here in North Dakota wish to take this opportunity to thank you for doing your best to get our State electrified.

The electrification program throughout the United States is still far behind. The other day I gave certain figures relating to rural electrification. As I said then, before the war, 95 farmers out of every hundred in Japan had light and power, and 95 out of every 100 had light and power in Germany, Norway, Sweden, and Denmark. In America, but one State, the State of Rhode Island, had attained a percentage of 95 when the report was published 2 years ago. The State of Washington, from which my distinguished colleague [Mr. CAIN] comes, is 85 percent electrified. In the great State of Washington a remarkable piece of work was done, because the bill of the average farmer in that State is \$1.50 a month, something entirely beyond the conception of farmers in so many other States, as for example, Montana, where 25 out of every 100 farmers have light and power, or Minnesota, where 40 out of every 100 have light and power, or North Dakota, where 7 out of every 100 have light and power, or South Dakota, where 9 out of every 100 have light and power, and where the bills run from 5 to 6 or 7 dollars a month. In the State of Washington the average monthly bill is \$1.50. So I say, we have a situation that affects not merely post offices. But I care not what governmental agency is mentioned, there is a need of money, money, and more money, in order to take care of our own people. We talk about keeping communism out of Germany and other countries. I suggest it would be a good thing for the Senate to see that we do not let communism enter America, provided the men who want to stop its spread so badly are really concerned about it.

Let me cite a few figures. A few days ago Maj. Gen. Philip B. Fleming, Administrator of the Federal Works Agency, issued a release to the press, in which he said:

We need \$75,000,000,000 for a 15-year program for Federal roads and buildings alone.

That is \$5,000,000,000 a year.

A few days ago in the House of Representatives, Representative KEEFE, chairman of a subcommittee dealing with matters of public health, announced that \$8,000,000,000 was needed in order to protect the public health. I remember that during the war more than 600,000 boys were refused admission into the Army because of physical defects or be-

cause of a lack of education. So, for public-health purposes \$8,000,000,000 is needed over a period of 5 years.

Mr. President, I have here a report made by a subcommittee of the Committee on Post Office and Civil Service. The report makes it clear that if the proposal to reduce the budget is to be carried out, there must be a cut of 25 percent of the increase of \$1,500,000,000 a year in the pay of Federal employees.

What about veterans? My mail is filled with communications from veterans. They are not receiving sufficient money when disabled. I do not know what the cost will be over the next 5 years, but of one thing I am certain, that is, that it will be very materially increased as the money is set aside for educational purposes. Certainly an increase of \$7,000,000,000 is bound to come, and that within a very short time.

Then we come to Federal aid for schools. I have here a table bearing on this subject. I ask unanimous consent that the table be inserted in the RECORD at this point in my remarks.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

State	Expenditure per pupil in public elementary and secondary schools for 1944-45	Estimated per pupil expenditure with proposed Federal aid ¹
United States average.....	\$125.41	\$140.42
Alabama.....	56.93	93.57
Arizona.....	127.55	146.69
Arkansas.....	60.26	99.50
California.....	163.38	169.83
Colorado.....	129.47	136.66
Connecticut.....	159.50	167.11
Delaware.....	133.05	140.92
District of Columbia.....	161.02	170.28
Florida.....	94.55	101.55
Georgia.....	64.92	97.39
Idaho.....	112.34	123.20
Illinois.....	169.32	177.20
Indiana.....	131.29	138.11
Iowa.....	124.83	131.32
Kansas.....	130.85	137.69
Kentucky.....	80.94	119.74
Louisiana.....	95.31	125.49
Maine.....	97.75	105.81
Maryland.....	113.98	122.52
Massachusetts.....	166.67	174.76
Michigan.....	127.73	134.69
Minnesota.....	144.29	151.43
Mississippi.....	44.80	82.66
Missouri.....	113.07	120.60
Montana.....	163.42	170.35
Nebraska.....	127.28	134.00
Nevada.....	155.88	162.91
New Hampshire.....	131.48	142.59
New Jersey.....	198.33	205.89
New Mexico.....	119.98	155.89
New York.....	194.47	202.14
North Carolina.....	68.91	100.92
North Dakota.....	132.55	148.97
Ohio.....	138.25	145.29
Oklahoma.....	96.61	120.74
Oregon.....	144.56	150.94
Pennsylvania.....	137.00	144.70
Rhode Island.....	148.96	157.93
South Carolina.....	65.17	103.44
South Dakota.....	144.62	159.43
Tennessee.....	69.70	98.71
Texas.....	102.46	120.89
Utah.....	120.24	132.78
Vermont.....	117.90	130.34
Virginia.....	83.49	100.76
Washington.....	159.78	165.99
West Virginia.....	93.18	121.82
Wisconsin.....	140.41	148.06
Wyoming.....	164.84	171.63

¹ Does not include any increases in local and State expenditures for the years 1944-45 through 1947-48.

Mr. LANGER. The table shows exactly how much money each State of the Union will need in order that its children may obtain even a minimum education. Cer-

tainly if there is any class of people underpaid today it is the school teachers of the United States.

Mr. President, we come now to Federal housing. No one seems to know how much that is going to cost. Certainly it is badly needed. Housing bills have been pending in Congress for a very long time. I noticed in one newspaper it was estimated the amount ought to be \$8,000,000,000 for the next 3 years.

Then of course we come to universal military training. If there is any vote of which I am proud, it is the vote I cast against the adoption of the United Nations Charter. It is now 2 years since former Senator Shipstead and I voted against that measure. After we, together with men such as former Senator Wheeler, pleaded and pleaded, some of the Senators now upon this floor afterwards voted for the bill. I wish to refresh the memory of Senators by re-reading a portion of what I said when I voted against adoption of the United Nations Charter.

I said on the 28th day of July 1945:

Mr. President, during my service in the Senate in behalf of the common people, I have never sold the truth to serve the hour. I have no quarrel with the vote of any honest Senator upon this floor. Each one took the same oath that I took, namely, to defend and uphold the Constitution of the United States of America.

Practically all Members of this body have indicated that they will vote for the Charter. Under my oath, Mr. President, and under my conscience, I cannot so vote. If I did I would feel that I was betraying the hundreds of thousands who have died in this war for the United States, and the hundreds of thousands who have sacrificed their loved ones and their treasure. I would be willing to vote for the appropriation of the last dollar in the United States Treasury, and the last dollar that we could borrow if, by spending that money, we could eliminate war, which we all abhor and hate. I would unhesitatingly vote for the Charter if I felt that it offered even the tiniest hope of a permanent peace. But, in spite of that, Mr. President, I feel from the bottom of my heart that the adoption of the Charter—and, make sure, we are going to implement it—will mean perpetuating war. I feel that it will mean the enslavement of millions of people from Poland to India, from Korea to Java, as well as people in many other places on this earth.

Who would have believed, Mr. President, that a President of the United States could affix his signature to an agreement that provided for the enslaving of millions of human beings? There they are today, Mr. President—hundreds of thousands of slaves in some places and millions in others, brought to that condition by the signatures of three men; and this in the twentieth century of civilization.

I read further:

Mr. President, I feel that the adoption of the Charter will be one step more toward compulsory and military conscription, and all that which goes with war.

A few days ago I called before a subcommittee of the Committee on Post Office and Civil Service a high-ranking Army officer who stated that in Knoxville, Tenn., there has been operating for a year and a half a military college which already has had 1,800 graduates, young men who have taken military training.

The authorities are not satisfied with that. They want military training in all the schools of the United States. They are begging young boys to leave school in my State. I put into evidence one of the pamphlets sent to the normal school in Ellendale, N. Dak., in which boys were urged to leave the normal school and go to Nashville, Tenn., to take military training, because it is so nice. On inquiry as to who had ordered it, it was said that it was done at the order of General Eisenhower, and that he had established the school in Tennessee.

I said at the time the United Nations Charter was adopted, Mr. President, that I felt that its adoption would be one step more toward compulsory military conscription and of all that goes with it. I can only say today that I was a good prophet. What will it cost? The figures range all the way from \$2,000,000,000 a year to \$6,000,000,000 a year. We shall have universal military training. We shall not have money for education, for health, and for some of the other things which I have mentioned.

I continued in my speech, Mr. President, as follows:

In my opinion, the charter is not at all similar to the Constitution of the United States which was adopted by the Original Colonies. I may say at this point that I agree with what the distinguished Senator from New Hampshire [Mr. BRIDGES] said earlier in the day, when he stated:

"Most important of all, the American Constitution went to great length to guarantee genuine equality to States entering into the Union. Neither Ben Franklin nor the other members of the Constitutional Convention would have tolerated a constitution by which two or three or five of the States were given a veto power over all of the rest."

I shall not quote the remainder of it. Within 12 months after we adopted the Charter, one of the most distinguished Members of this body, a Senator who had argued long for it, rose and said it should be amended and that the veto power should be eliminated. But, Mr. President, at the very time we adopted the Charter it was pointed out that it could not be amended. There is no provision for amendment. So, without being disrespectful at all to the distinguished Committee on Foreign Relations of the United States Senate, I say to them that on their past record I cannot and will not follow, because I have no confidence. In San Francisco, after it had been stated that we would carry out the Atlantic Charter, Australia's distinguished statesman said, just as did our Thirteen Colonies when they got together, "We will have a constitution." But there were representatives from the United States and from England voting "no" and saying, "We must have the veto power."

So, Mr. President, there must be another war fought at some time, I suppose, before we can sit around the peace table and get together and see to it that there shall be no more war.

Mr. President, I now desire to call the Senate's attention to the situation of the aged. At the very time when we increased our own salaries, when we raised our salaries from \$10,000 to \$12,500 and arranged for \$2,500 additional money for expenses for which we did not have to

account in our income tax returns, I made a motion that the social security payments which the aged were receiving from the Government should be increased, and suggested that \$100 a month would be a fair increase, in view of the high cost of living.

We increased our own salaries, and we gave the aged the great sum of \$5 a month additional. In some of the States the pioneers, men who were not drunkards, men who were patriotic, hard-working men or women, fine, splendid specimens of womanhood, put their money in banks. Those banks were being examined under both State and Federal authority. Surely those old-timers had a right to rely upon the safety of those banks. But apparently the banks were not very sound, because when President Roosevelt came into office, overnight he declared a bank holiday, and in hundreds and hundreds of banks all over our Nation not 1 cent was paid out to depositors. So we found the old people with their money in closed banks.

I see my distinguished friend, the junior Senator from Nebraska [Mr. WHERRY], sitting before me. His State is close to my State of North Dakota. In North Dakota my constituents lost \$61,000,000 in 651 closed banks, in that one little State alone. In Nebraska the situation was worse than it was in the State of North Dakota. But there were those old people, those men who trusted the United States Government, those who believed that when the Federal bank examiner examined a bank it meant something, and they were broke, at a time when we raised our own salaries from \$10,000 to \$12,500, and provided \$2,500 more in an expense account, for which we do not have to account in our income tax. I voted against that bill. I refused to support it unless others also got a corresponding increase.

Mr. President, we find some of these people trying to live on \$25 or \$30, \$35 or \$40, \$45 or \$50, \$55 or \$60, \$65 a month, depending on the particular State, because the Federal Government matches only 50 percent.

I know people who are trying to live on \$28 a month, and they get a letter, we will say, from the welfare board, stating "We took off another dollar," or "We took off another \$2." If any Member of the Senate does not credit that, let him come to my office and I will show him not one, not a dozen, but hundreds of letters from aged people who are trying to get along on these insignificant pittances.

Mr. President, we have money for everybody except the old people of America, who made this country.

I forgot to mention the Indians. We have robbed the Indians ever since I can remember. When I was on the Committee on Indian Affairs I asked the distinguished chairman, the Senator from Oklahoma [Mr. THOMAS], to name just one treaty, just one, the white man had made with the Indians that had ever been observed, and he could not name one, because there was not one.

There are the Indians starving in New Mexico and California, in my State, and in South Dakota. In New Mexico this year the people of the towns were giving

the Indians food and clothing, taking it out to them by truck. In North and South Dakota, when the snow was high, when it was almost impossible to get through, and the Indians were starving, the people tried to help them. In Benson County and in other places the people got together and collected food and clothing so that the Indians would not starve or freeze to death.

Mr. President, I have in my hand an article upon this subject which is most illuminating. It appeared in the Reader's Digest, condensed from the original article in Harper's magazine by Oliver La Farge. I believe the article explains the situation among the Indians about as well as it could be stated. It is entitled "They Were Good Enough for the Army." And the Indians were. Among the Navajos, where the Indians are starving to death, hundreds went into the Army. In Sioux County, N. Dak., the smallest county in my State, 250 Indians volunteered.

Mr. President, let me show how the Indians are treated. I take this from the article in the Reader's Digest. Suppose you are an Indian, poor and old, and your son comes back from the war. Your boy wants an education, but with only three grades he could get into no school except those the Government provided for the Navajo children. Now I read from the article:

With 25,000 children of school age and room for only 6,000, he didn't have a chance. He wanted on-the-job training, but the few jobs on the reservation were filled, and people off the reservation didn't want an ignorant Indian. He wanted to buy a truck and go into freighting, but banks would not lend him money. He wanted to buy cattle and start ranching, but the reservation was already overstocked, and he could not get a grazing permit. He worked on a railroad gang for 6 months and made a little money harvesting carrots; that was all he had been able to find since he was mustered out.

Mr. President, that is the kind of treatment the sons of those Indians have been getting all over this great Nation. I ask unanimous consent that the entire article from which I have been reading, entitled "They Were Good Enough for the Army," be printed in the RECORD at this point.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

THEY WERE GOOD ENOUGH FOR THE ARMY

(Condensed from Harper's Magazine)

(By Oliver La Farge)

The young man sat listlessly on the ground in front of a one-room log shack. With a bony finger he made aimless marks in the dirt. Inside the shack his wife was trying to sleep, since there was nothing to cook. As the baby was not crying he knew that it had fallen asleep, for which he was grateful. They had eaten up their monthly relief check of \$15 from the United States Government. There were still 4 days till the end of the month. He wondered how they would get through next month, how they would get through the winter.

This man is a Navajo Indian—one of thousands who have gone this far toward the end of the trail America has laid out for them. As a boy he had 3 years of schooling, in which he was luckier than most Navajo children, who have none. He failed to contract tuberculosis (which accounts for 45 percent of recorded deaths among Navajos over 20), and thus became one of the 3,600

Navajos who went willingly to war. When he came back he spoke better English; he had seen the world, had lived and fought as an equal among white men. With his mustering-out pay and the GI bill of rights, he was going to do great things.

Slowly he drew a square on the ground, then he made a dot in the middle of it. That was he—boxed in. He wanted an education, but with only three grades he could get into no school except those the Government provided for the Navajo children. With 25,000 children of school age and room for only 6,000 he didn't have a chance. He wanted on-the-job training, but the few jobs on the reservation were filled, and people off the reservation didn't want an ignorant Indian. He wanted to buy a truck and go into freighting, but banks would not lend him money. He wanted to buy cattle and start ranching, but the reservation was already overstocked and he could not get a grazing permit. He worked on a railroad gang for 6 months, and made a little money harvesting carrots; that was all he had been able to find since he was mustered out.

This young man's situation is typical of what the Government and Congress and people of the United States have done to the greatest of our Indian tribes. These are the Navajos, famous for their warlike qualities, their songs, their weaving, and silverworking.

When the Navajos, defeated by Kit Carson, signed the Treaty of 1868, they were settled upon a part of their old homeland. They numbered between 9,000 and 10,000. Under the treaty each Indian received two sheep. They settled down to herding, farming, and the development of their arts. The United States agreed to provide medical care, and to furnish adequate school facilities and a teacher for every 30 Navajo children between the ages of 6 and 13.

The Navajos increased, as they are still increasing, at the rate of about 2 percent each year. Today there are more than 60,000 of them. As the tribe overflowed its reservation, additions were made until the area now comprises 25,000 square miles. By a deal among Senators a law forbids further extensions of their territory.

For 20 years the Indian Service has known that there were nowhere near enough schools or hospitals for the existing Navajo population, yet never has it made a real attempt to secure from Congress the necessary appropriations. As a result, at no time did the United States fulfill its pledges in regard to education and medical service. Never have as many as half the children been in school. Never have we approached anything like adequate public health and medical service.

Furthermore, the Indians' enormous flocks of sheep, cattle, and horses grossly overstocked their poor grazing land. The land began to deteriorate. In 1933 the Government awoke to the fact that reduction of stock was urgent. Coupled with soil conservation, the reduction program has adjusted the number of animals to somewhere near the carrying capacity of the land, and slowed erosion. But to achieve this, a large part of the Navajo tribe was deprived of its capital.

Without overgrazing, not more than 2,500 Navajo families can earn a poor but tolerable livelihood by herding. As for agriculture, only 23,500 acres can be farmed at present, much of it poor land. About 5,300 of the eleven-thousand-odd Navajo families were able to farm in 1946, and these averaged only \$189 in crops consumed or sold. Of this tribe of 60,000, the present resources of the reservation all combined can support only 35,000. The remainder, 25,000 American citizens, is surplus.

Today the food intake of the average Navajo is several hundred calories below that of the Germans in the territory we occupy. When a Navajo came into a Red Cross office

to apply for relief, the worker asked, "Why don't you get a job?"

"I can't. I feel tired all the time."

"I can't put that on the record. What do you mean?"

"Well, you see, sometimes I don't eat for 2 or 3 days."

Many Navajos, in desperation, have consumed their crops while they are still green. This practice tends in one way to alleviate the situation; it kills off many children from colic and diarrhea.

The excess 25,000 Navajos are not idle through choice. They jump at every chance of employment. But these ignorant, underfed, and diseased people cannot even compete equally in the field of common labor. They are the last hired, the first let go. Recognizing that education is the only permanent solution to their problem, their tribal council has sent delegations to Washington to plead for schools. But Congress would not listen and the American people did not care.

This situation could have reached so appalling a point nowhere except in Arizona and New Mexico. They are the only States in the Union in which, by trick devices in their constitutions, Indians are denied the vote. These States also deny all social security to Indians, although Federal funds allotted to them, based on population, include the Indians.

If only as a matter of economy, we should remedy the Navajos' plight. So long as Indians are unable to take care of themselves, they will remain a burden upon the taxpayers at large. The only solution is to build up their health, their economic condition, and their competence until they no longer need special care and Federal protection.

The Navajo Service, a branch of the United States Office of Indian Affairs, has developed a broad program which it is urging upon Washington. It envisages a circle of boarding schools and hospitals in communities around the edges of the reservation, where power, light, and housing are available.

The Service also plans for a careful development of small industries. This is largely an educational project, which can play no important part in the tribe's economy for many years, but should eventually be part of the long-term solution of its problems. The plan further calls for a large-scale development of all irrigable land. This would be a 10-year project, adding 150,500 acres of fertile land to the 23,500 the reservation now possesses. It would provide permanent stable livelihoods for some Navajo families. All these projects must be accompanied by the building of roads.

If the whole program is completed, there is good hope that at its close, the tribe will be tolerably self-supporting, with a range of skills and semi-skills which will enable the Navajos to compete for jobs outside the reservation. From that time on, education must take over. Steadily increasing numbers of Navajos must be made capable of getting on without artificial aids and protections in the white man's world.

Mr. LANGER. Mr. President, we now come to consider demands for more money. I picked up the newspaper last night and noted that South American countries want half a billion dollars. The day before, I picked up the paper and noticed that the President expressed a desire to give Greece and Turkey some additional hundreds of millions of dollars.

I thought I had a pretty good education when I left Columbia, but I have found that in giving out relief money there are countries benefiting which I did not even know existed. There is a little island some place in the ocean, for example. It is said we need that island

because a base may be put on it at some time, so there is a request for a few hundred million dollars more.

The symbol of some of the major political parties should be a scoop shovel instead of some other implement, to show how we scoop out the money and give it away, under the bipartisan policy of the United States Government.

Now, Mr. President, we come to the blind, and find a little miserable pittance given the blind and the physically handicapped. When I was Governor of my State there were 241 physically handicapped people in the State, and a miserable little wage was paid to a man to go around and call on them once in a while. Time and time again he said he was unable to get even the equipment to educate a physically handicapped boy or girl; and that was long before the war started.

Then, Mr. President, we come to REA. I repeat what I stated on this floor a few days ago. A year and a half ago, when I was campaigning in my State, no matter whether the audience was large or whether it was small, when I invited questions, the questions were not, "Are we going to balance the budget?"; they were not, "Are we going to have tax reduction?"; but from one end of the State to the other the men and women, especially the women, asked, "When are we going to get REA upon our farms?"

I venture to say, Mr. President, that the distinguished Senator from Nebraska [Mr. WHERRY], the acting majority leader, has had the same experience in the State of Nebraska. He has spoken, as I have, to many farmers who wanted to know when they were going to be able to get refrigerators so their meat would not spoil. They wanted to know when electricity would be furnished to them, so they could have electric light in their homes instead of smoking lamps. The farmers wanted to know when they would get lights in their stables and barns so that they could take proper care of their livestock; they wanted to know when they could secure power to turn the wheels of the various machines used on the farm. I do not need to mention the need for electric power in connection with radios.

Do Senators know how many little motors there are on an average farm? There are 40. Believe it or not, on an average farm there are 40 little motors used for dishwashing machines, for vacuum cleaners, for implements, and machines of various kinds. Yet it was said that all we could have for REA was \$300,000,000. Believe it or not, \$45,000,000 was cut off from the amount provided in the bill, and \$300,000,000 finally given. Mind you, Mr. President, that money is not poured down a rat hole the way some money has been sunk in rat holes in foreign countries since we have been giving it away. I myself one day heard the distinguished chairman of the Foreign Relations Committee say that aid to a certain country would never be paid back. But every penny of the money provided for REA is paid back to the Government. At the present time, \$17,000,000 not yet due has been paid back in advance to the Government under

REA. Of all the REA cooperatives in the United States, only one is now in default. Yet with that marvelous record, our Government will not provide sufficient funds to give the farmers the chance to get the power they need through REA. If the money were appropriated so that REA could furnish to the farmers the power and light which they need, it would be paid back with interest. Before the war 95 out of every 100 farmers in Germany had electric power. The same was true in Finland, Sweden, Norway, and some other countries. The men over there took good care of their women, while we in America do not take good care of our farm women. That is the record.

Mr. WHERRY. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. WILLIAMS in the chair). Does the Senator from North Dakota yield to the Senator from Nebraska?

Mr. LANGER. I yield for a question.

Mr. WHERRY. Is the Senator going to place in the RECORD at this point the amount of money which is to be allocated for the purposes of reconstruction in western Europe while money for like purposes has been denied here in America?

Mr. LANGER. If the Senator will furnish it to me I shall be glad to place it in the RECORD.

Mr. WHERRY. The Senator's statement has been quite revealing to me. My understanding is that for the projected 4-year period the allocations to the 16 countries in question will be \$5,000,000,000 for power and \$5,000,000,000 for electrical distribution, and out of the first year's appropriation the allocation for the 16 countries is \$300,000,000 for power and \$300,000,000 for electrical distribution—to come out of the money the United States contributes, which is more money than the United States is allotting to its own citizens for the same purpose.

Mr. LANGER. I thank the Senator from Nebraska. There is no Senator upon the Senate floor who, in my opinion, is better informed about farm conditions than is the Senator from Nebraska.

Mr. President, over the period of the next few years, as I said, \$75,000,000,000 should be provided for roads and buildings, \$8,000,000,000 for health, \$1,500,000,000 for Federal employees each year for 15 years, or a total of 21 or 22 billion dollars; \$15,000,000,000 over a 5-year period for the veterans; \$2,000,000,000 for Federal aid for school teachers over a 3-year period; \$8,000,000,000 for Federal housing over a 4-year period, at \$2,000,000,000 a year.

Then we come to universal military training. General Eisenhower says he wants it. General Bradley says he wants it. Almost without exception the military authorities want universal military training. The only general I have found so far who has opposed it is, according to rumor, General MacArthur in Japan. He has certainly not publicly endorsed it, as I am informed.

Let us look at all the billions of dollars we are going to give to foreign countries. I do not know how many hundreds of

millions of dollars or billions of dollars we will provide to foreign countries, but I shall be conservative and say we will give \$5,000,000,000 in addition to the Marshall plan, scattered among the 35 or 40 countries which, it is claimed, are eligible to receive aid. Of course, Japan, we can understand, wants a few billion dollars also. I do not want to forget Japan.

Then, Mr. President, a couple of billion dollars should be provided for the aged. I hope a billion dollars can be provided for REA.

At the present time there are literally a hundred million dollars' worth of claims filed with the Indian Claims Commission. We created that Commission a long time ago, but we have not paid out any money; so sooner or later we shall have to pay the claims which may be adjudicated.

Then, of course, there is the post-office equipment I described a while ago. There are 42,000 post offices; so one can figure how many million dollars that is going to take.

Mr. President, I do not want to take up much more of the time of the Senate. I desire to place in the RECORD, however, an article by Alexander Boeker, published in the Progressive, of Madison, Wis. The article is entitled "The Last Laugh Is Hitler's—Allied Expulsion of 20,000,000 Europeans From Their Homes Shows How Heavily We Have Borrowed From the Nazism We Hate."

I ask unanimous consent that the article may be printed in the RECORD at this point.

There being no objection, the articles was ordered to be printed in the RECORD, as follows:

THE LAST LAUGH IS HITLER'S—ALLIED EXPULSION OF 20,000,000 EUROPEANS FROM THEIR HOMES SHOWS HOW HEAVILY WE HAVE BORROWED FROM THE NAZISM WE HATED

(By Alexander Boeker)

Hitler's armies were smashed on the field of battle, but many of nazism's most savage political weapons remained to dominate the victors. The mass expulsion of helpless civilians was one of the most barbarous of Nazi instruments of terror and upheaval. Today, nearly 3 years after the successful conclusion of the war to crush Hitlerism, 20,000,000 human beings in Europe are penned up on alien soil against their will. They have been forcibly expelled from their ancestral homes and accustomed places of work in eastern Europe by the victorious powers.

Little is written and nothing is said by the leading statesmen of the world on this peacetime crime which rivals the war crimes of the Nazis. Perhaps there is good reason, for the magnitude of the problem staggers the imagination. Moreover, there is the psychological factor of guilt. Many of our leading statesmen are deeply implicated in the decisions which have produced so much human suffering and such social chaos. Any mention of the subject, even for the purpose of finding constructive remedies, is therefore distasteful to them.

It has been left to the churches—Protestant and Catholic—and to a few private individuals and organizations, like the Committee Against Mass Expulsions, to face the issue frankly. Said Pope Pius XII in his Christmas address of 1947:

"Men of the postwar period could have easily confronted this degeneracy—i. e., that of the Nazis—with their own moral superiority. Unfortunately, in not a few instances they have let slip this golden opportunity.

* * * Dante * * * would have shrunk from depicting the reprisals wrought upon the innocent. There followed forced migrations and compulsory hard labor, defying the most elementary laws of humanity as well as the letter and the spirit of the law of nations."

Heartening as such protests are, they will avail nothing until the political leaders of the great powers, notably the United States, are prepared to admit their past mistakes and search honestly for new and honest solutions. The problems caused by the policy of mass expulsions in Europe are too great to take care of themselves. To delay decisive action now can only result in making the problem more difficult and complicated.

What is the issue?

Anxious to appease territorial designs and nationalist aspirations of the Soviets and their satellites, and blinded by wartime passions and sentiments of revenge, the leaders of the United States and Great Britain consented to the redrawing of frontiers in defiance of all ethnographic, historical, or economic factors.

Aware of the iniquity of such arrangements, they agreed with the Soviets that a clean sweep should be made of the troublesome populations that stood in the way of the settlement. Whereas all civilized statesmen of the past, particularly Woodrow Wilson, had tried to fit frontiers to populations, the wartime leaders of the Big Three decided to fit populations to frontiers. Whoever lived on the wrong side of an arbitrary new border was to be expelled.

The forced migrations thus brought about exceeded in scope and cruelty anything that had happened in Europe since the dawn of history—excepting only Hitler's war of extermination on the Jews. Even the Nazi attempts at the resettlement of Volksdeutsche and Poles, grim as they were, were merely a mild foretaste of what has happened under Allied auspices since the end of the war.

Nearly 3,000,000 Poles from east of the Curzon line have been pushed westward and dumped into areas from which Germans had been expelled; about half a million Ukrainians were resettled within Poland or expelled to the Soviet Union; some 700,000 Hungarians in Czechoslovakia are being dislodged from their century-old homes; several hundred thousand Balts are being deported into the interior of Russia.

The most staggering problem of all, in terms of magnitude, is the uprooting of some 16,000,000 Germans in eastern Europe, of whom about 11,000,000 have so far been dumped into decimated Germany—7,000,000 in the western zones and 4,000,000 in the Soviet zone. Between four and five million or between 20 and 25 percent of the total, are simply missing.

In the heartless language of officialdom, these missing millions represent the rate of attrition. To you and me this means that that many people have perished in the process of expulsion, from lack of food or shelter or from maltreatment. Included in this figure may be as many as a million who were deported eastward as slave laborers, where their life expectancy is small indeed. A few hundred thousand may still be living in their old homes, waiting to be expelled, or for the hurricane of nationalist fury and hate to subside.

The great majority of these Germans expelled, approximately 10 million, come from what had since time immemorial been eastern Germany—the ancient provinces of Silesia, Pomerania, Brandenburg, and East Prussia. Another three million are Sudeten Germans, many of whom had been loyal citizens of Czechoslovakia up to the day of their expulsion. The remaining three million are made up of scattered German-speaking minorities from the Baltic to the Black Sea,

people who had never been German citizens. Their ancestors had migrated to Eastern Europe to clear forests and drain swamps or to rebuild areas shattered by Mongolian and Turkish invasions.

As the Red army swept westward into the heart of Europe, establishing Communist puppet regimes along its path, the long and fearful agony of these people began. They were deprived of their civil rights, stripped of their property, and finally herded into concentration camps or driven westward into the occupation zones of Germany and Austria. All reports agree that maltreatment and sadistic cruelties were—and still are—an everyday feature of these expulsions. A new chapter has been added to the tragic story of man's inhumanity to man, rivaling the worst excesses of Nazi barbarism.

On arrival in western Germany or Austria, these refugee hordes are far from finding a warm welcome. In a hungry, cold, and shattered country, with its economy artificially throttled, there is little room for human compassion and Christian charity. Everyone is out for himself, and the local population often bitterly resents that it has to share its scarce food, its cramped living quarters, and its few household goods with destitute strangers from the East, who may be their uninvited guests for an indefinite time to come.

Differences in accent and in cultural traditions aggravate the problem. Thus the expellee feels an outcast in his new surroundings which he is told will henceforth be his home. In all too many cases no room at all can be found in private houses; hence hundreds of thousands of expellees still live in unsanitary camps, 10 and 20 to a room, with no prospect at all of finding new homes of their own.

It has been suggested that the only solution for the problem is a vast program of overseas emigration. Such a plan, if speedily carried out, would no doubt provide much relief. But the imagination balks at the shipping space and capital needed to transport more than 10,000,000 people to distant places; the very magnitude of the problem would require that it be extended over a decade or more. There is also considerable doubt that enough countries would be willing to absorb so large a mass of needy immigrants. Last but not least, the expellees themselves, for the most part, do not wish to go overseas, but back to their old homes.

While emigration could thus provide relief, it cannot provide a solution. More promising is the suggestion that western Germany be sufficiently reindustrialized to permit the absorption of the expellees. There is no doubt that a plan of this sort would substantially alleviate the present problem. Pauperization in its most acute form could be averted. But few who advocate this idea seem to realize the extent of reindustrialization required. Sober estimates show that Germany would have to double her prewar and predepression exports to be able to buy enough food and raw materials to take care of her swollen population. Yet, even under the Marshall plan, the volume of German industrial production is to be substantially below prewar standards.

German steel production, the basis of Germany's chief export industry (machinery, tools, etc.), is to be held down to 60 percent of the 1928-29 level. It is manifestly impossible to accomplish the absorption of the expellees, or even a major portion of them, on this basis. Nor is it at all likely that so expanded an export industry would find sufficient markets for its goods throughout the world, especially at a time when Great Britain is also forced to expand her export volume far beyond prewar limits.

The only real and lasting solution can come through the return to their homes of the great bulk of the expelled populations and through just territorial arrangements that will guarantee that they shall live as equal citizens under the law. If this solution is impossible immediately, it must, nevertheless, be our constant aim. Otherwise sham solutions will be adopted, capable only of lulling the world into a false sense of security.

Meanwhile, the expellee¹ problem must be lifted out of the category of unmentionable subjects. A bold and adequate relief scheme must be devised. Since the constitution of the International Refugee Organization (IRO), sponsored by the United States Government and adopted by the Senate, bars refugees of German ethnic origin from the benefits of that organization—Hitler's Aryan clause in reverse—a new organization, specially devoted to ethnically German expellees must be created. The tasks to be faced by this organization are as vast as they are important.

As emigration overseas and to such underpopulated countries as France gets under way, relief needs can be slowly reduced. Further, and greater, reductions will come as Germany's industries again reach, and finally exceed, their peacetime production figures. Under present plans, however, this will not be the case for many years to come. It is woefully clear, therefore, that if the Marshall plan is to bring stability to western Europe, it must take full account of the economic and political problems caused by the ruthless expulsion from their homes of millions of people.

Mr. LANGER. I wish to read one or two paragraphs from the article, so that the many Senators upon the floor will clearly understand what the article contains. Mind you, Mr. President, these people are not included in the displaced persons legislation which was reported by the Committee on the Judiciary by a vote of 9 to 1, I being the only member who voted against it. There are 1,323,000 displaced persons in Europe, as the word "displaced" is defined in the measure upon which we are going to vote in a few days. Who does it not include, Mr. President? I shall read a few paragraphs from the article which appeared in the Progressive. I read from page 9:

Anxious to appease territorial designs and nationalist aspirations of the Soviets and their satellites, and blinded by wartime passions of sentiments and revenge, the leaders of the United States and Great Britain consented to the redrawing of frontiers in defiance of all ethnographic, historical, or economic factors.

Mr. President, my mind goes back to a speech made by the late Franklin Delano Roosevelt in the month of October, a year and a half before the war ended. He said, "We are not fighting the women and children of Germany. We are fighting Hitler."

What happened when the war was over? The President of the United States signed the document which I placed in the RECORD yesterday, a document consenting to the enslavement of millions of white people. I am against the enslavement of anyone, whether he be red or black, yellow or white. I thought it was the policy in the United States to be against slavery of every kind, character, or description.

But in the document which I placed in the RECORD yesterday, we consented to the enslavement of millions of people. Let me read the first paragraph of it again:

The three governments, have considered the question in all its aspects, recognize that the transfer to Germany of German populations, or elements thereof, remaining in Poland, Czechoslovakia, and Hungary, will have to be undertaken. They agree that any transfers that take place should be effected in an orderly and humane manner.

So, Mr. President, because a man had German blood in him, even though for 500 years he and his ancestors may have been living in Poland, Czechoslovakia, or Hungary, he is taken away—with what results? Let me continue and show with what result. I read from the article in the Progressive magazine:

Aware of the iniquity of such arrangements, they agreed with the Soviets that a "clean sweep" should be made of the "troublesome populations" that stood in the way of the settlement. Whereas all civilized statesmen of the past, particularly Woodrow Wilson, had tried to fit frontiers to populations, the wartime leaders of the Big Three decided to fit populations to frontiers. Whoever lived on the wrong side of an arbitrary new border was to be expelled.

The forced migrations thus brought about exceeded in scope and cruelty anything that had happened in Europe since the dawn of history—excepting only Hitler's war of extermination on the Jews. Even the Nazi attempts at the resettlement of Volksdeutsche and Poles, grim as they were, were merely a mild foretaste of what has happened under Allied auspices since the end of the war.

Listen to this:

Nearly 3,000,000 Poles from east of the Curzon line have been pushed westward and dumped into areas from which Germans had been expelled; about half a million Ukrainians were resettled within Poland or expelled to the Soviet Union; some 700,000 Hungarians in Czechoslovakia are being dislodged from their century-old homes; several hundred thousand Balts are being deported into the interior of Russia.

Listen carefully, Mr. President:

The most staggering problem of all, in terms of magnitude, is the uprooting of some 16,000,000 Germans in eastern Europe, of whom about 11,000,000 have so far been dumped into decimated Germany—7,000,000 in the western zones and 4,000,000 in the Soviet zone. Between four and five million, or between 20 and 25 percent of the total, are simply missing.

So our Government has to feed 7,000,000 more; and the \$73,000,000 we have appropriated to feed those people over there is entirely insufficient.

In the heartless language of officialdom, these missing millions represent the rate of attrition. To you and me this means that that many people have perished in the process of expulsion, from lack of food or shelter or from maltreatment. Included in this figure may be as many as a million who were deported eastward as slave laborers, where their life expectancy is small indeed. A few hundred thousand may still be living in their old homes, waiting to be expelled, or for the hurricane of nationalist fury and hate to subside.

The great majority of these German expellees—

This is important, Mr. President. It is frightfully important, because whether

we listen to the testimony of General Clay or whether we listen to the testimony of some of the other outstanding citizens of this country, we are continually and everlastingly reminded that Germany must not go communistic; that if it does, all of Europe is gone. If our great leaders do not want Germany to go communistic, then certainly they have a very strange way of treating these people. Here is a country of, roughly, 60,000,000 people, who have not enough to eat. Our country is already feeding those people. Then come 10,000,000 more. When we pass the displaced persons bill, unless it is amended, not a single one of those 10,000,000 can be brought to this country, no matter how fine a record he may have had in the past. Although next to people of British origin, the largest population we have in America is of Teutonic origin, we cannot bring in a single one.

The great majority of these German expellees, approximately 10,000,000, come from what had since time immemorial been eastern Germany—the ancient Provinces of Silesia, Pomerania, Brandenburg, and East Prussia. Another 3,000,000 are Sudeten Germans, many of whom had been loyal citizens of Czechoslovakia up to the day of their expulsion. The remaining 3,000,000 are made up of scattered German-speaking minorities from the Baltic to the Black Sea, people who had never been German citizens. Their ancestors had migrated to eastern Europe to clear forests and drain swamps or to rebuild areas shattered by Mongolian and Turkish invasions.

As the Red army swept westward into the heart of Europe, establishing Communist puppet regimes along its path, the long and fearful agony of these people began. They were deprived of their civil rights, stripped of their property, and finally herded into concentration camps or driven westward into the occupation zones of Germany and Austria. All reports agree that maltreatment and sadistic cruelties were—and still are—an everyday feature of these expulsions. A new chapter has been added to the tragic story of "man's inhumanity to man," rivaling the worst excesses of Nazi barbarism.

Yesterday we were solemnly assured that steel would not be affected if we were to pass the pending bill. I took the trouble to look over the report of the Herter committee of the House of Representatives. What does that committee say, Mr. President? It says this:

Unless * * * means can be found to raise significantly the level of production in western Germany, very heavy, and perhaps intolerable, sacrifices will have to be made by American consumers of steel (in 1948).

There you have it. That is from the Herter Committee Report No. 6, of November 12, 1947.

What about the steel situation in the United States? At the very time when we need it, we are going to ship it away.

I read now an article from the New York Herald Tribune of February 10, 1948, which, among other things, says:

RECORD DEMAND

Plans to build 7,600 more miles of pipe line have been announced in the United States. But pipe is so short that probably not more than 1,500 miles will be built by the end of this year.

Again I appeal to the distinguished acting majority leader, who is chairman of the Small Business Committee, and I

ask him whether the demand for any other commodity has been any greater than the demand for steel for pipe during the past 2½ years.

Mr. WHERRY. Mr. President, if that question is directed to me as chairman of the committee referred to, I should like to state that I think the commodity in shortest supply in the United States today is steel. It was in such short supply last summer that the distinguished Senator will recall that the Small Business Committee made superhuman efforts to get pipe sent to North Dakota, South Dakota, and other States during the drought, for watering purposes.

I also say for the RECORD now that we are behind 67,000 oil wells in the United States, by which we would otherwise get oil production, which includes wild-cat wells and wells in proven areas, for the reason that we do not have the pipe to supply the wells.

I simply wish to impress upon the Members of the Senate, as chairman of the Small Business Committee, that I concur in the statement made by the Senator from North Dakota that today steel is in very short supply in the United States.

Mr. LANGER. Mr. President, here is an article from the New York Times of February 12:

The Transcontinental Gas Pipe Line Co. is prepared to pay a \$20,000,000 premium, if necessary, to obtain 400,000 tons of steel.

That was the substance of sworn testimony before the Federal Power Commission, as reported in the New York Times on February 12.

If there is anyone within the sound of my voice who wishes to make \$20,000,000 this year, all he has to do is find 400,000 tons of steel, and the Transcontinental Gas Pipe Line Co. will gladly pay him a \$20,000,000 premium.

The following article appeared in the New York Times on February 20, just 2 or 3 weeks ago:

Present steel production (in western Germany) is 3,000,000 tons annually, against the prewar figure of 18,000,000 tons.

The article is by Anne O'Hare McCormick, in the New York Times for February 20.

Here is another article:

PRICES SOAR

All domestic producers of steel announced yesterday price increases of approximately \$5 a ton (which) may be reflected ultimately in higher prices for a broad line of industrial items, ranging from automobiles to small appliances.

That is from the New York Times of February 20, 1948.

Meanwhile, Mr. President, the Senate is planning to investigate why steel went up in price. Here is one explanation. It is the height of economic folly to continue to dismantle plants. But we can get steel by stopping at once the dismantling of plants. That is one way to get steel.

Here is an editorial from the Christian Century, of February 25, 1948:

Such a letter as Secretary Marshall wrote to Senator VANDENBERG on February 4 raises a question as to whether there is any such thing as a Marshall plan for the rebuilding of Europe or, if there is, whether the Secretary of State knows about it.

The Marshall letter defended the policy of dismantling industrial plants in western Germany on the ground that these plants had been promised to our allies as reparations under the Potsdam agreement, that they would produce more for the benefit of general European and world trade in their new locations, and that if we halted dismantling, our French and British allies would then demand "extensive reparations out of current production."

The Potsdam agreement was an attempt to reduce Germany to the Morgenthau "goat pasture" economy. Russia has already ripped it to shreds. If the State Department is still following the Morgenthau-Potsdam blueprints, then the Marshall plan is a fake, and a hopeless fake at that.

It is simply not true that dismantled and relocated industrial plants produce more. Only machinery can be moved; installations take time. And industrial engineers agree that production is cut by as much as 90 percent.

So far as additional demands from France and England are concerned, hasn't Mr. Marshall heard that the United States is getting ready to provide those countries with billions to restore their productivity? If there is to be an ERP, continued destruction of the productive capacity of western Germany must stop.

When the Marshall plan bill comes to the floor of the Senate, a prohibition against any more such folly should be written into it immediately.

Mr. President, there is one other matter which I should like to place in the RECORD. It is an editorial by William B. Ziff, perhaps the leading authority in the United States on aircraft. This editorial appeared in the magazine Flying for November 1947. I ask unanimous consent to have it placed at this point in the RECORD, as a part of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

MR. MARSHALL SUFFERS A LAPSE OF MEMORY

It is difficult to understand what has happened to George Marshall.

As a general, he was known as a tough, hard-hitting guy whose good sense was unchallengeable. He knew that in the jungle of international lawlessness, after the politicians finished trying to out-slick each other, the issue would be determined by American strength and nothing else.

But the moment Mr. Marshall found himself in striped trousers, he seemed to forget all the hard lessons he learned when he was Chief of Staff. Today we are right back where we were before Pearl Harbor Day.

Reduced to a capsule, what are the simple facts of our present situation? They are these:

1. An undeclared state of war exists between the Government of the United States and that of the U. S. S. R.

2. As matters now are going, this sooner or later will develop into a shooting war.

Our Nation seems to have a choice of two courses.

1. We can abandon all the play-acting and enter into direct conversations with the Russians on the frank thesis that we and they are the only two powers in the world that matter, and try to find some way of getting along with them.

2. We can lay down the law saying, "Look, Joe, it's either this or else."

In any case, the answer will not be given by hand-outs and bribes to two-bit kings, parasitic politicians, and Marxist fanatics, whose antics have all but bankrupt their own states. If we cannot protect ourselves and our way of life by our own will and power, this gentry certainly will not do it for us.

In a world jungle infested with cynical

and conscienceless self-seekers, there is only one real protection—the power of the national arms. Our most convincing argument in any case will be an invincible air force backed by a strong and healthy industry, and linked with an air-transport system capable of laying down whole armies on enemy territory within a matter of hours. Whatever funny kind of thinking may course through Russian skulls, it can be deemed certain that they possess at least a normal aversion to suicide.

Of all men, Mr. Marshall must know that today the United States is fat, rich, and unready. Our aviation industry, on which the national security must ultimately rest, is for all good intents and purposes, busted. Its irreplaceable engineers are rapidly drifting away. Its plants are shutting down. We are turning out fewer airplanes today than we did in the bitter days before the war when the advocates of air power were looked upon as so many wild-eyed zealots. Our Air Force has dwindled to the point where we could hardly put two whole squadrons of first-line aircraft in the field at one time. To say that it has become third-rate, is no exaggeration.

Since we are facing the prospect of a fight with someone both big and tough—perhaps bigger and tougher than anyone we have ever tangled with in the past—it would seem reasonable that when Mr. Marshall announces that he has a plan, the plan will be something to make us strong and unbeatable.

Instead it turns out that Mr. Marshall has developed a banker complex. The great plan comes down to a scheme for bigger and better hand-outs.

Mr. Marshall has simply found himself out-matched. The do-gooders, the social lads, and the slick boys in the diplomatic department, have taken him over.

The whole record of the State Department's policy scheme has been one of screw-ball politics and even worse economics. It has played its hand from weakness, inconsistency and illogic. Its estimates have continually gone awry. Its assurances to the American people have been empty of sound thinking. Every proposition it has stated has turned out to be wrong. Had any of the men responsible for these policies been employed in private enterprise, or in the magnificent Army Mr. Marshall once built, they would have been turned out to pasture long ago.

The record speaks for itself: Yalta and Teheran; Russia is a democracy; the United Nations will solve all; Bretton Woods will solve all; the British loan will solve all; and so on and on.

No part of this vast program of money spending has produced any sound result. These great sums simply have been piddled down the drain.

Take the case of the British loan, for example:

This was supposed to put Britain on her feet. It was to have been used to modernize British industry and relieve us of the conspiratorial strictures aimed against American trade in the operations of the so-called sterling bloc. Instead the money was used for imperial adventures all over the world, on profligate spending everywhere, British troops in Egypt, Palestine, North Ireland, eastern Asia and elsewhere—1,500,000 in all. It went to underwrite the fiscal deficits of Burma and such barbaric states as Saudi Arabia, for the support of the dangerous Moslem bloc, for world-wide propaganda operations, and for vast schemes of social experimentation which have not worked out.

Meanwhile 1 in every 10 workers is on the Government pay roll. Production has dropped disastrously.

Another instance is the loan to Greece and Turkey. These little nations, with their tissue-paper armies, are supposed to protect the United States against communism. Today we learn that they are to be armed with obsolete Spitfires and other outmoded war

material coming out of British surplus equipment. This is with the full consent of the American State Department.

Mr. Marshall should know that in war second-class equipment is a first-class invitation to disaster.

Meanwhile, the American aircraft industry, which is well capable of turning out superior equipment and machines, is disintegrating for lack of orders.

Not satisfied with what we have already done, Mr. Bevin publicly condemns us for not throwing the Fort Knox gold into his share-the-wealth program. He also thinks there should be a new American lend-lease program.

Yet, at a time when we are arguing with the Russians, he thinks it is all right to negotiate a trade deal with them by which they would be supplied with heavy machinery they would need badly in case of war with the United States.

Mr. Bevin, of course, is not alone in his ideas. He is joined by representatives of many other nations in the general expectation that Uncle Sam has an obligation to take care of them. If the British miners under their acknowledged Communist chief, Arthur Horner, refuse to work, American miners must work harder. If the Dutch wanted to shoot up Indonesia, America should produce more in order to foot the bill; or if the French and British want to turn all Asia against us by their conscienceless exploitation of subject peoples, America should pay for this, too.

All that anyone needs to do these days is to yell "communism" in a loud voice, in order to blackmail our State Department into handing out almost anything they ask for.

The beneficiaries of these hand-outs are, for the most part, frankly devoted to social systems destructive to the American principle of free enterprise. Each of them is involved in a morass of trade and currency conspiracy aimed at smashing each other's commerce. They are ruled for the most part by cynical and calculating politicians who hold the ordinary restraints of decent conduct in contempt where gain is concerned.

The plain fact of the matter is that if Europe would drop its selfish, greedy dog-eat-dog tactics and come together in some sort of a political and customs union, it could produce what it needs.

A reasonable program would involve our advising Europe to quit all this horsing around, drop their sterling blocs and other monetary conspiracies, abandon the trade embargoes and water-tight nationalisms which make doing business there a horror, eliminate their expensive and dangerous imperial adventures, and join with us in building an honest free-trade world economy. Along with the other self-seeking hokum, European states could quit subjecting our people to this incessant barrage of propaganda. That costs money, too, which could better be put to productive purposes.

Of course, this would be doing it the hard way.

If it isn't done, however, even the astronomical amounts asked by Messrs. Bevin and Marshall will not last long.

The fact is that in the case of Britain alone there is an annual gap of at least \$4,000,000,000 between what she produces and sells and what she needs. Other countries in Europe are relatively in a similar situation.

As long as these states continue with their present tactics, the situation will grow worse, not better.

If we are to be in a real struggle with the Russians, there is no reason to believe that any of these states will be on our side. We have already become Uncle Shylock to many of them. There is at least a 50-50 chance that Britain itself will be neutral. The miners have served notice that they will not mine coal in a war against Russia. They

are joined in this view by other powerful factors in British public life.

If the intention is to halt communism, the record shows that this banking scheme will not work. Since we began this vast system of WPA politics, communism has not been pushed back, but has gained heavily in Europe, and in Britain itself.

The vast amounts Mr. Marshall now mentions are not trick figures on a Monopoly board. They represent at a conservative estimate some 20 years' income tax on the part of every taxpaying American. They will have to be paid for in real, tangible values—the sweat and labor of men, the stuff grown from the earth, or mined from its bowels. They represent irreplaceable wealth and the toil of hard-working Americans. This scheme means that every American must work harder. If this program is instituted on the scale proposed by Mr. Marshall, it means the reinstitution of all the old war-time controls. There will be less of everything for every American, less farm machinery, fewer automobiles and houses, less food.

The plain fact is that we would not be handing out these sums abroad from a surplus. A nation which lacks 12,000,000 homes in which to house its workers, and whose most important security industry, aviation manufacturing, is facing bankruptcy because of lack of orders, has no surplus.

If it were true that some fine moral purpose could be served by this design, and if the scheme itself took second place to expenditures aimed at making America strong at home, some kind of help-the-world plan might be feasible.

But America is not strong at home. Our internal problem presents serious difficulties. We have not yet made the transition to a healthy peacetime economy. Our essential machinery is obsolescent and badly needs replacement. Our building industry is at a standstill.

As far as good old Uncle Sam is concerned, he can have sympathy for whom he pleases, but he also is duty bound to look out for himself. To be safe against the Communist menace, both on the outside as well as within our borders, America must be strong and prosperous, not bled white. Even three or four billion dollars spent on giving up a top-notch air service would be sufficient to give us security and the authority which goes with power.

If trouble with the Russians is really expected, we have to be in a position to deliver instantaneously a blow of such staggering proportions that no one in his right mind would dream of challenging us.

A sensible plan would be to examine our own situation, not to see how much we can give away, but to determine how we can put our own house in order, how we can feed and house our own people, and how we can best serve notice on would-be aggressors that if there is to be a war, it will be fought over their territory, not ours.

This brings us back inevitably to the need for the biggest air establishment we know how to make. It brings us directly to the need for placing a firm floor under the aircraft industry which is now dying.

As for Europe, it either should make some sense out of its own internal processes, or we should get the hell out of there.

WILLIAM B. ZIFF.

Mr. LANGER. Mr. President, in the editorial which I have just had placed in the RECORD I notice that Mr. Ziff says:

Meanwhile 1 in every 10 workers is on the Government pay roll.

He refers to the workers in Britain. I hope the distinguished chairman of the

Appropriations Committee, who is so worried about a few days of sick leave for Government workers, will read that editorial carefully.

Finally, Mr. President, I have before me a document entitled "The United Nations Charter." First of all, I want to make it clear that I did everything in my power to keep Edward R. Stettinius, of the house of Morgan, from becoming Secretary of State. His father had been a member of the house of Morgan, as I have previously said upon this floor, during World War I, when the house of Morgan made \$30,000,000 by representing England. I said upon the floor at that time that he had been chairman of the United States Steel Corp. For 3 hours I talked against the confirmation of the nomination of Edward R. Stettinius to be Secretary of State. I said then that he was not fitted for that position, and, sure enough, he so utterly showed his incapacity at San Francisco that, within a few weeks after he returned from that city, he was no longer Secretary of State. The administration got rid of him. The pity of it is that his nomination was ever confirmed.

It will be peculiarly appropriate today, in examining the Charter of the United Nations, to look at article I, paragraph 3. I shall read it, because I am sure many Senators have forgotten it. Through the adoption of the Charter we were all to become sisters and brothers all over the world. Let me read the purpose of the United Nations, for whose charter the Senators who are here today, with the exception of myself, voted to ratify. It reads as follows:

To achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for the fundamental freedoms of all without distinction as to race, sex, language, or religion.

Mr. President, that is what was voted for on the floor of the Senate. Not only were we all to become brothers and sisters in America, regardless of color, race, or creed, but America was to set an example for the other nations of the world. In the city of New York, Puerto Ricans were no longer to be discriminated against; their children were to be allowed to attend school with the little children from Harlem and from the area around One Hundred and Twenty-fifth Street, One Hundred and Twenty-sixth Street, and Amsterdam Avenue. No longer was there to be any discrimination against the Japanese citizens in California, or against Mexicans in California, or against East Indians in California, some of whom up to that time did not even own land and could not even obtain a driver's license in California, Arizona, and certain other States. All were to become brothers and sisters, red, white, yellow, and black. That was the purpose of the Charter for which the Senate voted. When Russia's veto power is mentioned, I wonder what certain of the people in China and Africa and India think about the citizens of the United States whose representatives approved this Charter, and then, within a

few weeks very conveniently forgot all about it.

In order that we might all become brothers and sisters, in order that we might walk arm in arm with everyone else, red, yellow, and black, and become real brothers and sisters, it is said that the fourth purpose is "to be a center for harmonizing the actions of nations in the attainment of these common ends."

The buildings of the United Nations Organization were located in the city of New York, so that we in America could become shining examples of how people should love each other, and to show that in this country there is no discrimination because of race, sex, language, or religion.

Mr. President, I appeal now to the record. The United States has had charge of Puerto Rico for a long time. Go there and look at its slums. Look at them, and consider that the United States Government has had charge of that country for so long a time. They are the most filthy, the most unspeakably dirty slums in the world. But we expect to take care of the whole world. We expect to take care of Korea, Manchuria, India, wherever we are afraid of communism, which is found almost everywhere, including our own country. We expect to take care of everyone. But in little Puerto Rico we cannot even wipe out the slums.

With reference to Alaska, we have had that Territory under our care for more than 75 years. When I introduced a bill providing for statehood for the Territory of Alaska, believe it or not, certain men said that Territory was not fit to govern itself.

It is significant, Mr. President, that in his opening speech the distinguished chairman of the Foreign Relations Committee said:

Many other features of the pending bill will develop with the debate. At the moment, I refer, finally, to only two.

Second, the investment of private American capital, in approved reconstruction projects in the 16 countries and western Germany, is encouraged by our guaranty of the subsequent convertibility of profits or original investment into dollars. This obviates the hazard most likely to prevent private investment. At the same time it is a highly practical invitation to American private initiative to join in this great adventure on a free-enterprise basis.

Our representatives go into South American countries where there are graduates of Harvard, Columbia, Princeton, the University of Pennsylvania, and all the other large schools of the United States. Why, in heaven's name, is it necessary for American dollars to go in and control the banks there? Why establish branches of the Chase National Bank? The people of Puerto Rico are our brothers, as are the people of Colombia or Guatemala, or any other of the South American countries. In Puerto Rico there are 2,000,000 people, but because Puerto Rico is a Territory of the United States we establish American banks there. We should get those people together and say, "You are smart enough to run your own bank. We will loan you money, but you yourselves

should establish your own bank. We are not imperialists." Instead of that, we are establishing branch banks of the Chase National Bank or the National City Bank, or branch banks of any of the other great chains in this country. Wherever we go we find the large banks of New York establishing branch banks. The Puerto Ricans, who were great leaders in the arts and sciences, are fully capable and are competent to operate their own businesses if we loan them money and do not give it to them. They can establish their banks and their financial centers for themselves.

I voted against the British loan of \$3,750,000,000. I voted against the loan to Greece and Turkey. That money has since been wasted. I voted against sending money to China, which a leading Senator said was a "rat hole" operation. I voted against the \$497,000,000 sent to Italy, Austria, and France—not to the people, but to their governments; which change overnight. But I voted to send any necessary food or clothing where it was needed. I would vote to keep any man, woman, or child from starving; but, Mr. President, I have had too much experience in this world not to know that the governments which receive the money will be just as bitter as was England when we shut off lend-lease. Some of the statesmen over there are like Bevin, who said they wanted us to make a gift of American gold which is now stored in Kentucky. I know that no matter how much we do, no matter how much of a gift we make, we shall not make friends of the recipients of the gift. If it be to the best interests of any one of those countries to be against the United States of America, they will be against us. The giving of this money will not tie them to us. If the money were loaned through the Export-Import Bank there might be a different story.

Finally, Mr. President, I want the RECORD to show that I believe the United States should use the money for the benefit of the underprivileged one-third of our population. I believe we should pay Indian claims, some of which are over 100 years old. I believe we should provide for REA. I believe we should provide generously for education. I believe we should take care of our veterans in a much better way than we are now doing. In short, I believe we ought to take a survey of what is needed in the United States before we send any money across the water, no matter to what country we expect to send it. No such survey has been made. We look in vain through the record which has been made as to what amount of money is needed to take care of our own people. Our aged are still hungry, cold, and unclothed. Money is apparently being shoveled out with a scoop shovel to everyone who has time to board an airplane and fly to this country and request it.

So, Mr. President, I regret that I cannot go along with the unanimous report of the Committee on Foreign Relations. I simply find it impossible to do so. I think as time goes on my vote against the Marshall plan will be justified, just as today my vote against the United Nations Charter is justified.

PROPOSED ANTILYNCHING LEGISLATION

Mr. EASTLAND. Mr. President, I offer several amendments to Senate bill 42, the antilynching bill, to be referred to the Committee on the Judiciary for consideration by the committee.

The PRESIDING OFFICER. Without objection, the amendments will be received and referred to the Committee on the Judiciary.

Mr. EASTLAND. Mr. President, the first amendment provides that whenever there has been committed a crime which is a felony according to the laws of the State, where committed, and a State officer neglects or refuses to make diligent efforts to solve it, he shall be convicted of a felony, and, upon conviction, shall be punished by a fine not exceeding \$5,000, or by imprisonment not exceeding 5 years, or both.

The first amendment also provides that every governmental subdivision of a State to which the State shall have delegated police functions shall be civilly liable for any crime which is a felony according to the laws of that State, which occurs within its territorial jurisdiction, and which remains unsolved for a period of longer than 3 years, in every case in which any officer or officers of that governmental subdivision charged with the duty, or possessing the authority, to solve such crime, neglects or refuses to make diligent efforts to do so. The amendment further gives a person injured because of the State officer's neglect or refusal a cause of action for damages against the country or municipality in a sum not less than \$2,000 or more than \$10,000.

In other words, Mr. President, the amendment seeks to broaden the antilynching bill, which merely provides a civil liability against a county when a person is lynched within the county. The bill applies only to lynching. That is a hollow, useless, worthless attempt to get votes from a certain minority in this country, and does not seek to give Federal protection to the people of the United States which its authors claim it will do.

Mr. President, there is only one-thirtieth of 1 percent as many lynchings in this country as there are murders. The statistics show that in 1900 there were 115 lynchings; in 1910 there were 76; in 1920 there were 61; in 1930 there were 21; in 1940 there were 5; in 1944 there were 2; in 1945 there was only 1 lynching; in 1946 there were 6 lynchings, and in 1947 there was only 1 lynching.

There are practically no lynchings in this country, yet the Congress, at the darkest hour in the history of our country, is asked to take up days and weeks in an attempt to influence the votes of a minority group in the coming election by action on such a measure as the antilynching bill.

The bill does not seek really to give protection to the people involved. What are the facts? In 1946, in the country as a whole, there were 8,444 cases of murder and manslaughter, 12,117 women were raped, there were 62,782 cases of robbery, there were 229,920 automobile thefts, there were 357,991 burglary cases, there were 941,738 larceny cases.

Much of the agitation for a Federal antilynching act comes from the city of New York, and in that city in 1946, 325

murders, 14,525 lesser felonies, and a total of 698 other crimes, more committed in that one city. These figures are for one city, and for 1 year. In the entire United States in 1946, with 140,000,000 people, there were only 6 lynchings. Yet, no cry comes to us to give the people of the city of New York adequate police protection.

Mr. President, I hold in my hand an editorial which appeared in the New York World-Telegram of February 16, about conditions in the city of New York, which quotes the Allen Keller crime report. Let me read what it says describing one area in the city of New York. It describes back yards piled high with garbage, and also an area so infested with drunks, marijuana smokers, brawlers, hold-up men, and insulters of women that decent citizens, and even the police deliberately avoided it. The paper asks, "Why should the police shun an area where they are most needed?"

Mr. President, my amendment would give to a person in the city of New York, where police protection in areas has broken down, who is injured as a result of their negligence or of their malfeasance, the right to sue for damages against the city of New York, and it would make a police officer there who neglects or fails to do his duty criminally liable, as is attempted in the antilynching bill. The theory underlying the two measures is the same.

It is said that police protection in the South has broken down, and therefore that Federal action is necessary, but here is a crime report for the city of New York and a great paper says editorially that in a certain area of the city there is no police protection because police do not go into that area. If we are to have a person injured because the police refuse or fail to act, or fail to exercise due diligence, when a lynching is committed, a person who is robbed, or maimed, or the relatives of one who is killed, in the city of New York, or in any other great city in this country, should also have the right to sue for damages against the municipality or against the county in which it is located. The amendment is submitted to the Senate Committee on the Judiciary for its consideration.

Mr. President, there is another amendment, which I shall read. On page 2, line 11, after the word "thereof", I propose to insert the following: "And any unlawful violence of one or more persons, including but not limited to members of a group of lawbreakers such as are commonly designated as gangsters or racketeers, which results in murder or any other felony."

Last year there was one lynching in the United States, there were six the year before, there was one the year before that, and at the same time there were dozens of gang murders. Yet gentlemen come here and say, "Let us pass an antilynching bill," and are sure to have that bill so worded that it will not give the people of Chicago, or the people of New York, or of any other great metropolitan area, Federal protection against gang killings. The killings in Chicago during the Capone era caused shame all over the world.

Mr. President, the Capone organization, if reports are true, controlled the police department. It was a supergovernment of criminals by which men by the score were murdered, and no convictions for those murders were returned because the police conspired with the Capone gang.

A few nights ago I read the story of the Berger gang in southern Illinois. Forty men were murdered by that gang. Not a single conviction was returned in the courts of Illinois against the gang. That gang even possessed tanks and machine guns and cannon and airplanes with which to commit murder. It had a hired army. The gang even had a fort, and one of its hired armies attacked another which was entrenched behind the fort. Nothing was done by the Illinois authorities about it. The police officers were controlled by the gang, and refused to give to the public of that area protection.

Mr. President, if by law, such as the law proposed by some with respect to lynching we are going to have Federal action, why should not people who are in danger of being murdered by criminal gangs be protected by the authorities? When the police do not do their duty why should not the heirs of a person kill have the right to a civil suit for damages in the Federal court, and why should not the police officer who is owned by the gang, who fails and refuses to do his duty, be liable for criminal damages in the Federal court?

It is shocking to public decency that the greatest gangster of all time, Mr. Al Capone, the greatest murderer in the history of this country, was never convicted in the courts of Illinois for crime, but was merely convicted for income-tax violation by the Federal court under action brought by the United States Government.

I have another amendment which provides that the heirs of a man who is killed and injured during a race riot—and such a crime is certainly caused by reason of race feelings—if the police fail to do their duty, a civil suit for damages shall lie just as is provided in a case of lynching.

Mr. President, what are the figures with respect to such crimes? In 1943, in the city of Detroit, there were 35 persons killed in one race riot. Think of it. More persons were killed in 1 day in the city of Detroit in 1943 than have been lynched in the United States in the past 20 years. Oh no, we do not cover such cases in the bill. Of the 35 persons who were killed, 28 were colored and 7 were white. The official figures show that there were 700 persons injured in that riot. There the police failed to do their duty. I have seen pictures of Negroes injured in the riot, one of a bloody Negro on the ground being beaten by white men, while police stood there and refused to interfere.

I hold in my hand a Detroit newspaper, the Detroit Tribune, dated Saturday, June 26, 1943, from which I should like to read a few lines. It gives a report of the conduct of the police in that riot. A man was pulled off a streetcar and at-

tacked by a mob. This statement appears in the newspaper:

Izzard stated that two white policemen stood there and saw the crowd of men, women, and children stoning him, but did not raise a hand to prevent it.

Again in the Saturday, July 3, issue of the same newspaper there is, under the heading of Comments, the following:

Civil Rights Federation: "Many Detroit policemen not only refused protection to colored people, but actually participated in and aided and abetted the mob violence against Negroes.

Mr. President, in the month of August that year, in the Harlem section of New York City, there was a race riot. No one knows how many people were killed in the various race riots which have occurred, but in Harlem the lowest figure of dead was placed at five Negroes. The lowest figure of persons injured was 500, and the property damage was assessed at \$5,000,000.

Why in the name of reason, Mr. President, when police fail to do their duty in Harlem and in Detroit, should they not be criminally liable? There was the crime caused by race feeling. If Congress is going to say that in respect to lynchings the county shall be liable, why does not the same reasoning apply to the cases I have cited, and why should not the cities of New York and Detroit be held liable in damages, as it is proposed to hold liable for civil damages counties in which a lynching occurs?

Mr. President, I read a few days ago a very able discussion of the antilynching bill. But before I come to that I wish to say that there are two additional amendments which I shall present, one of which provides, after the word "persons", to insert the following: "or which interferes with, or presents, or attempts to present by physical violence, occurring during the course of picketing or boycotting or in connection with any 'labor dispute' as that term is defined and used in the Labor-Management Relations Act, 1947, or otherwise, and without authority of law, the employment, or the right of any citizen or citizens, person or persons, to work."

Some say a man is denied his civil rights to a trial when he is lynched; therefore it is proposed to pass the antilynching bill. By the same reasoning a man is denied his God-given right to work under certain circumstances. I submit that when police connive, where the police refuse to take action on a picket line, the county or city in which that occurs should be held liable in damages, if Congress is going to place liability against counties in which lynchings occur. Also the officers who refuse to do their duty in such cases should be liable criminally.

Mr. President, I think it is a sad condition when our country is on the brink of war, when the war clouds become more menacing, that the Congress of the United States should be called upon to drop all consideration of great questions and take off after an antilynching bill, in order to secure some votes in the election this fall. That is especially true when the facts show that the crime of

lynching has disappeared in the United States.

Mr. President, we saw in the newspapers an announcement by the President of the United States made on yesterday. I have no comment to make about the two men who announced the candidacy, but I say, that what the people of this country want more than anything else is a man who can unite America in the face of a common foe, a man who is bigger than partisanship, a man who will not cater to groups in order to get votes, but who will protect the Constitution of the United States, who will protect the liberties of the people of the country, who will protect the sovereignty of the States, and who will not sacrifice the national interest for political gain in behalf of organized pressure groups. The people of the country want a candidate for President who will be fair to all groups and conduct the affairs of the country for the benefit of its people.

I think both political parties would do well to drop this movement which creates hatred, strife, and discord in America. We have more sectional feeling in this country today than we have had at any time since the reconstruction era. We have class hatred; we have racial prejudices; and we have politicians fishing in the troubled waters to get votes. I think our domestic scene today is at the all-time low. The people of the country want a leader to conduct the affairs of the country for the welfare of its citizens.

In the primary in the State of New Hampshire there are two candidates for the Republican nomination. They are both good men. I am not a Republican; but, Mr. President, the people of this country want neither of those men to lead them for the next 4 years. They want a man who will rise above party, who will rise above petty matters, who will not sacrifice the national interest to appease pressure groups on each side. When we find such a man he should be nominated by both political parties to lead this country in the face of a common foe, and to take a stand for decency against further aggression from the Soviet Union.

The PRESIDING OFFICER. The amendments submitted by the Senator from Mississippi will be received, printed, and referred to the Committee on the Judiciary.

CONSIDERATION OF NOMINATIONS IN THE ARMED SERVICES

Mr. WHERRY. Mr. President, it appears that it is necessary to act upon certain military nominations at this time. Therefore, I ask unanimous consent that, as in executive session, the Senate proceed to the consideration of such nominations, which will be presented by the distinguished Senator from South Dakota [Mr. GURNEY]; and I ask that the Chair recognize the distinguished Senator from South Dakota.

The PRESIDING OFFICER. Without objection, the Senator from South Dakota is recognized.

Mr. GURNEY. Mr. President, from the Committee on Armed Services, I report favorably certain routine nomina-

tions sent to the Senate by the President and carefully considered by the committee. They are reported unanimously. They total in number 1,791 officers, all in the grades below that of general. I present Executive nominations M, N, O, 101, 102, 108, and 113 and ask unanimous consent for their immediate consideration.

The PRESIDING OFFICER. Is there objection to the request of the Senator from South Dakota? The Chair hears none.

Without objection, the nominations are confirmed, as in executive session.

Mr. GURNEY. I ask that the President be immediately notified.

The PRESIDING OFFICER. Without objection, the President will be notified forthwith.

FEDERAL CONTRIBUTIONS FOR OLD-AGE ASSISTANCE AND AID TO THE BLIND

Mr. HILL obtained the floor.

Mr. HILL. Mr. President, the distinguished Senator from Louisiana [Mr. ELLENDER] would like to introduce a bill. He has a statement to make, which I am informed will require about half a minute. I ask unanimous consent that he be recognized at this time.

Mr. WHERRY. Mr. President, I have consistently objected earlier in the day to such requests. I should like to comply with the request of the distinguished Senator, because I have great admiration for him. How long will the statement require? Will it require more than half a minute?

Mr. ELLENDER. It will require about that length of time.

Mr. HILL. Under the circumstances, I ask unanimous consent that I may yield to the Senator from Louisiana without losing the floor.

The PRESIDING OFFICER (Mr. LODGE in the chair). Is there objection? The Chair hears none.

Mr. WHERRY. Of course, if the privilege is abused, the rule will be invoked.

Mr. ELLENDER. Mr. President, I would have been through by this time.

Out of order, I send to the desk a bill for appropriate reference. The bill is to amend the Social Security Act, as amended, so as to increase the amount of Federal contributions to the States for old-age assistance and aid to the blind.

Under existing laws the Federal share with respect to each individual receiving old-age assistance amounts to \$10 for the first \$5 spent by the State, plus \$1 for each additional dollar spent by the State, up to \$15. Under the present law it would be possible for the beneficiaries of old-age assistance to receive a total of \$45. The purpose of this amendment is to increase the Federal Government's share \$5. That is, the Federal share would be \$15 for the first \$5 of State money, plus \$1 for each additional \$1 spent by the State, up to \$15. In other words, should this amendment be adopted, it would be possible for each State to contribute, with what it receives from the Federal Government, up to \$50 for each aged person entitled to it, \$30 of which would be made available by the Federal Government and \$20 by the State.

Under existing law the rate of the Federal contribution in the case of aid to the blind is the same as the rate for old-age assistance. The amendment makes a change in this rate corresponding to the change in the old-age contribution rate.

Since Federal contributions are made on a quarterly basis, the amendments are made effective as of April 1, 1948, the beginning of the next calendar quarter.

I thank the distinguished Senator from Alabama.

There being no objection, the bill (S. 2283) to amend the Social Security Act, as amended, so as to increase the amounts of Federal contributions to the States for old-age assistance and aid to the blind, introduced by Mr. ELLENDER, was received, read twice by its title, and referred to the Committee on Finance.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. HILL. Mr. President, if there is one thing of which I am certain as I stand here today, it is that the people of the world desperately want peace. The suffering nations are weary and sick of war. And yet, the world is being pushed toward war by a gigantic conspiracy—dictated from Soviet Russia—against order and security and freedom for mankind.

Any lingering doubts about Russia's lust for world domination have now been swept away—in the pitiful story of Czechoslovakia—in the pressure on Finland—in the growing tension in France and the immediate threat in Italy—in the brazen and arrogant words of Foreign Minister Molotov warning other sovereign states against participation in the Marshall plan:

The Soviet Government considers it necessary to caution the Governments of Great Britain and France against the consequences of such action.

Mr. President, the pattern is clear. In the 2 years since the end of the Second World War, every act by Soviet Russia has been an act of calculated aggression, of greed for power and ambition for new domain. Where Moscow's aims are best suited by delay, efforts to build the peace have met with obstruction. Now when swift action advances the Russian plan, the world sees ruthless and instant resort to the most despicable methods of Adolf Hitler.

Through a coldly planned program of infiltration and subversion, power politics and military pressure, Russia has created a network of puppet states across Europe—Lithuania, Estonia, Latvia, Poland, Rumania, Yugoslavia, Hungary, Bulgaria, Albania, and Czechoslovakia. Finland is next, and the Scandinavian nations are trembling. France girds herself for a new Communist-led general strike; and in Italy, Premier de Gaspari warns that if the Communists are not

defeated in the general elections, the iron curtain will fall.

Russia has blocked the peace terms for Germany through the device of exorbitant reparations demands and has willfully prevented the restoration of German industrial production so necessary to European recovery. In Korea, Russia has abandoned all pretense of seeking agreement and strengthens Korean communism for the day when American and Soviet occupation troops will depart.

Russia has issued orders to all Communists—wherever they may be—to wreck the Marshall plan because it holds forth the promise of food and economic restoration, security, and political independence to the people of western Europe. Russia desires hunger and poverty, division and confusion, among these people so that they may finally feel forced to trade freedom for bread—that they may provide fertile soil for communism.

With force and fear ruling so much of the world, I know well that America must maintain her military strength. Throughout the recent war, in serving on the Senate Military Affairs Committee, I had impressed upon me day after day the necessity for thinking and planning and acting ahead. I take pride in the part I have played in trying to help to keep America's ramparts guarded. But as one who has for many years shared responsibility for our Nation's military preparedness, let me say that American security cannot rest upon arms alone, no matter how strong our weapons.

We are in a new age of science, of warfare, and of world relationships. We cannot escape the realities of this world—of the jet plane, the guided missile, and the atomic bomb. Our Nation cannot live unto itself alone, no matter how much we might desire to do so. When the knell of freedom sounds for any nation, we need not ask for whom the bell tolls. The death of freedom and democracy anywhere in the world threatens freedom and democracy in America.

Mr. EASTLAND. Mr. President, will the Senator yield for a question?

Mr. HILL. I yield to my friend the Senator from Mississippi for a question.

Mr. EASTLAND. The Senator from Alabama has mentioned the possibility that the Marshall plan might fail. What does the Senator think would be the result in the United States if the plan failed?

Mr. HILL. I shall come to that point in a moment, if the Senator will permit me to proceed at this time.

Mr. EASTLAND. I should like to hear the Senator's discussion of that point. He is making a very able argument.

Mr. HILL. I thank the Senator.

Mr. President, no man in America has given more of his thoughts or of himself to the building of peace than has Cordell Hull. Last Saturday, in the final chapter of his memoirs, he declared:

The American people, Congress, and the Executive must keep sharp watch lest the United States return again to the dangerous policy of isolation. Two major wars within a generation should have convinced all Americans that we are an important part of the world, that conflict abroad cannot but affect us, and that our welfare, peace, and security are tied to those of other nations. We have

responsibility for leadership and cooperation which we cannot avoid, if we would.

We cannot know for certain that the Marshall plan will succeed. But we do know that if we would remain a great and free nation we must recognize that we live in the new age and we must make use of all our strength and all our powers. We must learn to exercise our great economic strength, for economic weapons are often more powerful and more effective than military weapons. Through our economic strength, we may forestall military conflict and win the victory without the back-breaking toil, the appalling waste in treasured resources, and the dreadful toll of lives which war makes inevitable for both victor and vanquished. The Marshall plan is such an undertaking.

Through economic aid, the United States helps to restore and rebuild the exhausted democracies of Europe. In the language of the act itself, we help to "sustain and strengthen principles of individual liberty, free institutions, and genuine independence through assistance to those countries of Europe who participate in a joint recovery program based on self-help and mutual cooperation."

When we give the European democracies the aid they must have, we help them to move from weakness to strength, from doubt to self-reliance, and from fear to independence. We help freedom-loving men in western Europe to stand firm and resolute, holding the frontiers of democracy for us, as well as for themselves.

In restoring the productivity and economic strength of western Europe, the Marshall plan will lighten our own staggering burden of armament. The democratic nations will become active and helpful partners in preserving the peace.

Inadequate American aid would leave the European democracies easy marks for Communist infiltration and domination. America's armament burdens would heavily increase, and we would find ourselves more and more encircled by totalitarian enemies of democracy.

Last year the United States spent more than \$10,000,000,000 on its armed forces. If the westward tide of Russian expansion is not checked, this will soon be inadequate to provide security. Secretary of National Defense Forrestal testified before the Senate Foreign Relations Committee that unless there could be reasonable hope for the stabilization of western Europe, the military services would be compelled to ask many billions more for military security.

The increase in military expenditures would be only a part of the price. Life in an armed camp would mean lowering our standard of living. More than this, it would mean regimentation of our economic and political life; the loss of many of our freedoms. And in the face of steadily mounting tension and competitive armament, the final explosion of war would come.

Even without war, the failure to help rebuild western Europe would see our domestic economy cut off from the foreign markets we must have.

Foreign trade is essential to a vigorous and expanding American economy.

Foreign trade is essential to a strong and free America. The Marshall plan will help to restore the profitable markets which a thriving western Europe with its 270,000,000 people and its industrial economy, second only to that of America, can provide for our agricultural commodities—cotton, lumber, peanut oils, naval stores, tobacco—and for our manufactured products—machine tools, farm equipment, automobiles, and other mass-production goods.

Mr. EASTLAND. Mr. President, will the Senator yield at this point?

Mr. HILL. I yield to my friend the Senator from Mississippi.

Mr. EASTLAND. The Senator has spoken of the loss of those markets. Of course, if Russia takes over western Europe, we shall have permanently lost those markets. But does the Senator think for one moment that if we permanently lose our historic markets in western Europe, we shall be able to maintain the private-enterprise system in the United States?

Mr. HILL. I do not think so. I support the Marshall plan for the same reason that I supported the repeal of the arms embargo, the repeal of the Neutrality Act, the enactment of lend-lease, and the passage of the selective service bill. I felt if we permitted totalitarian aggression by Hitler and the Japanese war lords to encircle us we could not maintain our free American domestic economy and preserve our free-enterprise system. I feel the same way today about Russian totalitarianism.

Mr. EASTLAND. Mr. President, will the Senator yield for a question?

Mr. HILL. I yield to my friend.

Mr. EASTLAND. The point is that if we were to lose permanently those markets, it would be followed, first, by Government control of business in this country. The Senator has spoken of the cotton business. If those markets for American raw cotton were to be permanently lost to us, the United States would have to begin with drastic acreage control and a subsidy program much greater than that ever undertaken before. There would be Government control of every farmer in this country who is engaged in the production of cotton. That is true of other lines of business. There would first be Government control, and then American industry could not profitably operate with the loss of those markets, as it cannot profitably operate unless it can run at capacity or near capacity. Foreign markets are essential to that. Within a period of a few years we would be driven to some form of socialism in this country. So, when we support this program and follow it by armed force if necessary, we are saving the capitalistic system in the United States, because Russia knows that she could destroy our economy and our system without firing a shot simply by refusing to do business with us.

Mr. HILL. I thoroughly agree with the Senator. It is exactly what I sought to say, though the Senator has said it better and in more detail, when I spoke of the fact that if we permitted the western democracies to go down and if we lost our trade, we would be forced into such

a system of governmental regimentation that we would lose many of our freedoms, and, to a greater or lesser degree, we would ourselves be forced into some form of totalitarian government. We strive today to prevent war, to preserve and build the peace and also to maintain our free private-enterprise system. Exports mean profitable business for American industry and American shipping. They mean jobs for American workers. In many American industries between 10 and 20 percent of the jobs are dependent upon the maintenance of foreign trade.

Foreign trade provides a strong support for agricultural production and prices. Last year this country sold abroad more than three and a quarter billion dollars worth of agricultural commodities. Of these farm exports, more than \$2,000,000,000 worth—about 65 percent—were exported to the Marshall plan countries. To lose these foreign markets would mean a sharp reduction in income for farm families, particularly in the South.

The United States normally exports nearly half of its cotton crop each year and some 57 percent of this cotton has gone into the countries which will share in the Marshall plan. Without foreign markets for several million bales a year, cotton producers will have to depend on domestic consumption. This means that huge cotton surpluses will accumulate and drive prices down. The purchasing power of the Cotton South will be sorely hit.

The Marshall plan offers the best and most immediate chance we have today for peace and reconstruction in a war-torn world. It is worth the wholehearted support and cooperation of all the people of the United States.

Europe has responded with vigorous action to the Marshall plan. The 16 Marshall-plan countries have pledged—and are now achieving—increased production, growing financial and economic stability, and joint steps to expand trade.

But the nations of western Europe wisely recognize that if their recovery is to be made permanent—they must go on to some more creative enterprise than simply restoring their individual economies through the Marshall plan.

The same old Europe, divided by illogical tariff walls and torn by jealousies, will not bring permanent recovery and permanent peace. To preserve this crazy quilt is to perpetuate the irresistible economic pressures and political differences which twice in the last 25 years have exploded into war.

Europe can make its full contribution to world production and world peace only by fitting the jigsaw puzzle of European states into some reasonable pattern of unity and cooperation. The people of Europe must pool their assets and join together in their productive efforts. They must have access to electric power, fuel, navigation, transportation, and communication free from artificial restraints and artificial barriers.

In the past European unity has been ignored or thrust aside by short-sighted jealousies, power politics, and the dead hand of tradition.

Now new compulsions drive the peace-loving nations toward unity. Prime Minister Attlee of Great Britain has said: "Europe must federate or perish."

At this moment five nations—Britain, France, Belgium, Holland, and Luxembourg—are preparing to sign a 50-year agreement which can lay the basis for the economic and military union of western Europe.

The agreement goes far beyond old-fashioned military alliance and provides for joint action upon common economic, political, and military problems. The new agreement follows the way pointed by the existing customs union of Belgium, Holland, and Luxembourg.

Italy may be brought into the pact if democratic government is maintained in the approaching Italian elections.

The federation is committed to western ideas of democracy and freedom which no totalitarian nation could accept. But the door should not be closed to those nations now dominated by Russia. Two of those nations showed their desire to participate in the Marshall plan before Moscow forbade them to take part. Eastern Europe needs the manufactured products of western Europe, which in turn needs the raw materials and agricultural commodities of the east. We may find, as western Europe is restored to productivity under the Marshall plan, that the natural pressures for trade and commerce will be stronger than the iron curtain of communism.

The idea of a united Europe is not new. It has been the goal of enlightened men since the Middle Ages. It was the great design of Henry IV of France in the seventeenth century. Victor Hugo pleaded for union at the International Peace Congress in 1849. After the First World War, Aristide Briand, of France, and Gustav Stresemann, the German democratic leader, tried in vain to implant this vision in the minds of the treaty makers.

I urged a year ago that the nations of Europe strive for a real and effective federation.

Through the Marshall plan we may hope that the United States—out of her experience and her rich heritage of union—can give inspiration and encouragement to Europe's efforts to achieve economic and political federation.

We may hope that in the very rubble and ashes of Europe today there shall be laid the foundations for the structure of a new, united, and strong Europe which in the years to come will play its part in guaranteeing peace and security for the world.

There are those who claim that the Marshall plan will impoverish the United States and sap her resources. There are others who would reduce the funds for the program and make the Marshall plan into a gigantic and costly relief program.

But it is my judgment that we have done all that it is humanly possible to do in charting our course. We have calculated the risks and explored the alternatives. There is ample evidence that we are not underwriting a bankrupt Europe, nor exhausting America.

The foundation of the Marshall plan is the report by the independent civilian committee with Secretary of Commerce

Harriman as chairman. The members of this committee in their experience and their outlook represent the varied tapestry that is the American economy—business and industry, agriculture, labor, and government. They include former Senator Robert M. La Follette; Owen D. Young; Paul Hoffman, of the Committee for Economic Development; Chester C. Davis, wartime Food Administrator, farm expert, and banker; William I. Myers, dean, College of Agriculture of Cornell University; Edward S. Mason, of Harvard University; George Meany, of the American Federation of Labor; James B. Carey, of the Congress of Industrial Organizations; and others known and respected throughout America.

Mr. FULBRIGHT. Mr. President, will the Senator yield?

Mr. HILL. I yield to my friend from Arkansas.

Mr. FULBRIGHT. Mr. President, I wish to compliment the Senator from Alabama on his reference to and discussion of the unification of Europe. I am thoroughly in accord with his views on that question, but I should like to ask him if he does not believe that unless some commitment of a fairly definite nature is made toward political union at this time, the result of the Marshall plan, assuming that it rehabilitates Europe economically to some extent, will be to prevent or to remove the necessity for political union? That is what bothers me.

Mr. HILL. I will say to my friend from Arkansas that I should like to see such a commitment, but I must also frankly say, after having heard the distinguished chairman of the Committee on Foreign Relations speak on this matter a few days ago, I doubt the wisdom of attempting to write into the legislation which is now before the Senate a requirement that the beneficiary nations shall make such a commitment.

Mr. FULBRIGHT. If the Senator will further yield, that question was settled yesterday as to this particular measure. What I have in mind is the question of unification, which is not yet settled. According to this morning's newspapers, it does not seem that the powers gathered in Brussels are considering political unification. It seems to be a question of alliance, with which we have been familiar for many years. Alliances never have any lasting value so far as promoting unification is concerned.

Mr. HILL. Of course, we do not know what is being agreed on or what has been agreed on, if there has been any final agreement. Until we have that information we cannot know just what the situation is as a result of the conference; but from what I have seen in the press—and I have in mind particularly an article which appeared on the front page of the Sunday morning Washington Post—there is great encouragement to believe that the agreement will go much further than alliances such as we have known in the past. The agreement will go not only to the question of an economic federation, with certain limitations, of course, but there will be definite political aspects to the agreement.

Mr. FULBRIGHT. I am not at all clear about it. I know of no case in which economic federations have ever been permanent or successful.

Mr. HILL. I look forward to some form of political federation. I think there is an economic federation now. Surely, if we want it to last we must move to the next step, which is some form of political federation.

Mr. FULBRIGHT. The idea that a customs union or an economic federation means anything is confusing. If I understand the Senator rightly, he does not feel it is significant except as a step.

Mr. HILL. I think it is significant as a step. I do not think it is the final step which should be taken, but I think it is a very wholesome and encouraging beginning.

Mr. FULBRIGHT. Does the Senator know of any analogous cases in history in which there has been an economic federation among any sovereign states which has resulted in permanency?

Mr. HILL. My distinguished friend, who is the former chairman of the Committee on Foreign Relations [Mr. CONNALLY], and a man of great erudition and knowledge of history, suggests the Hanseatic League.

Mr. FULBRIGHT. What happened to that league?

Mr. CONNALLY. It lasted a long while. It was very effective, but it finally dissolved.

Mr. HILL. No federation has lasted all through the centuries. It is an interesting thing to note that one of the oldest governments in the world today is our American Government.

Mr. FULBRIGHT. I never understood that it was an economic federation.

Mr. HILL. It is basically a political federation, with a strong tying together of our economy. It is tied in to one mighty network, economically as well as politically. Our Government is about the oldest political federation in the world today.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. HILL. I yield to my friend from Texas.

Mr. CONNALLY. I do not want to interrupt the Senator from Arkansas if he wishes to go ahead.

Mr. FULBRIGHT. The Senator is talking about political federations. Of those which have been created in modern times the most substantial ones are Canada and the Union of South Africa. The Senator does not leave in my mind an impression that they are not a healthy form of government.

Mr. HILL. The Senator is entirely incorrect if he has any idea that I do not think they are healthy, stable governments. They certainly are. But the Senator was talking about history—

Mr. FULBRIGHT. Let us consider the Hanseatic League. That was certainly a very loose league of relatively small towns which were spotted all over Europe. The league did not result in any political organization which came to life at all.

Mr. HILL. I think the Senator is bound to agree that our Federal Union grew out of basic economic needs and economic compulsion. Problems of water-

ways, roads, commerce, and trade between the States compelled and brought about the formation of the political union which is the Government of the United States.

Mr. McMAHON. Mr. President, will the Senator yield?

Mr. HILL. I yield to the Senator from Connecticut.

Mr. McMAHON. Has not the Senator really made an argument for the federal unions of which he has been talking?

In other words, the American Union is a success because it is a combination of States economically, politically, and militarily which fact has given them, as the Senator has pointed out, greater strength than that possessed by any other union in history.

I am moved to observe, in view of the remarks of the Senator from Texas and the Senator from Arkansas, that the political unions about which they talk are really nothing but political alliances. History is strewn with the wreckage of alliances between sovereign states, and I suppose that so long as history continues alliances will be made and broken. I call the attention of the Senator to the fact that, reading some recent history of the Locarno Pact, France and England both pledged each other that they would come to one another's assistance, and the demilitarized status of the Rhineland was to be preserved. English public opinion was not ready to back up the Government, and the Government did not have any stamina, anyway, and it ran out on the French Government, and broke the alliance. I merely offer that as a comment on the validity and strength of alliances between sovereign states.

Mr. HILL. I thank the Senator for his helpful contribution.

Mr. CONNALLY. Mr. President, will the Senator from Alabama yield?

Mr. HILL. I yield to the Senator from Texas.

Mr. CONNALLY. I agree with what the Senator observed a moment ago about the inadvisability of including in the bill any suggestion or anything in the way of persuasion or compulsion. I think that would be most unfortunate. If the peoples of Europe want to form a union on their own, and make a start, as they are now doing in conferences they are holding, it may grow into something with which the United States can deal. But I suggest that if the recipient countries live up to their obligations under the pending bill they will be brought more nearly in contact with each other than they have ever been, economically, at least. I think that will contribute very mightily to probably a future political arrangement or union of some character.

Mr. HILL. Does the Senator know of anything which contributes more to political union than economic necessities and economic compulsions?

Mr. CONNALLY. I agree with what the Senator said a little while ago, that most political action, after all, has its roots in some economic situation.

Mr. HILL. That is correct.

Mr. CONNALLY. Even the Revolutionary War had a little something to do

with a tea party in Boston, and a stamp act in Virginia, and things of that kind, which perhaps were not primary causes, but they contributed to a political revolution.

Mr. HILL. Surely our Union grew out of such things.

Mr. CONNALLY. What happened about the Federal Union? It was controversy between New Jersey, Pennsylvania, and New York over the navigation rights on the Hudson River. It was difficulty between Virginia and Maryland over the fishing rights in the Chesapeake Bay. The first meeting which eventually resulted in the calling of a Constitutional Convention was held at Alexandria, in the old Carlisle House, because Virginia and Maryland were quarreling over the use of the Potomac River and the Chesapeake Bay with regard to fishing and navigation, and kindred matters, economic things. That convention was then adjourned to Annapolis, where it was very sparsely attended. Then it adjourned to Philadelphia, and the Constitution of the United States was the result. So it is not possible to dissociate economics from political actions, because many times union has its roots in some economic quarrel or disagreement.

If under the pending bill the countries to be benefited are able to work in harmony, and are brought more closely together, and see the mutual advantages to accrue to each of them from the action of the others, it may germinate, it may initiate, it may stimulate some political union in the years to come. I just drop that as a suggestion.

Mr. HILL. The Senator has made a very fine contribution, because certainly economic federation, to say the very least, makes fertile soil for political federation.

Mr. PEPPER. Mr. President, will the Senator from Alabama yield?

Mr. HILL. I yield to the Senator from Florida.

Mr. PEPPER. Those who have prevented the inclusion in the bill of anything that looks like any more coercion than what is already in it, even relative to a laudable purpose like the unity of the European nations, were very wise in what they did. If the people of Europe desire, in the face of necessity or adversity, to form their own union, as we did, in a situation which seems to demand such unity, then well and good, but a union imposed upon Europe by the financial power of the United States would hardly last longer than the unions which military conquerors have imposed by force of arms in periods past.

I should like to submit one reservation about the thought of European union in a formal sense. I have the feeling that when we talk about building up new entities and new unities in the world, it is at the expense of the whole universal unity which we hope to achieve through the United Nations organization. Probably the very fact that we are facing this problem today as we are, the very fact that there is so much talk of this kind of union, arises from the fact that the United Nations, which we thought would be a union of all people, has fallen into a period of decline,

which is temporary, I hope. But I have a feeling that it would be better to build a magnificent edifice where there would be room for all, than to decentralize the international organization, as it were, into mere regional organizations. It is my fervent hope that we are going to find some way to reconstruct an effective international organization, with its functioning social and economic council, which will keep something like what we are now dealing with going on all the time.

In fact, just western Europe working together, or working with the United States, is not the answer even to their or our economic problem. Neither of us can exist prosperous without access to the other trade markets and peoples and resources of the world. We would all have to suffer a very serious decline in our level of living if we were cut off from access to the rest of mankind, if we were torn out of the world economy.

So when we are talking about what might be a laudable thing, if these people desire to undertake it, I hope we will not lose sight of the fact that we hope to have some time an international organization in which every nation and every people will have a harmonious home, and where international working together on economic matters, and matters of security, will not only preserve prosperity, but peace for the whole race of man.

Mr. CONNALLY. Mr. President, will the Senator from Alabama yield further?

Mr. HILL. I yield.

Mr. CONNALLY. I agree with much the Senator from Florida has said; but, on the other hand, there is another consideration to be thought of. Many of these nations are little nations, they are powerless, on their own, to resist either armed intervention or economic infiltration, and from that aspect—and I am not suggesting it, I think they should decide it themselves—it might be very desirable, if they could, to form little groups of somewhat identical interests, to aid them and to sustain them and to give them strength in hours of peril. That is what is happening today. In the east, Russia, with its tremendous prestige and power and influence, has gathered about itself many satellite nations. They are small. They could not resist. I think some of them would have resisted if they had been able to. Take the case of Czechoslovakia. Czechoslovakia has had a very glorious history. It has been a country of democracy. It has had splendid ideals. It will be remembered that John Huss lived away back in the fifteenth century—a hundred years ahead of Martin Luther. So the Czechoslovaks for centuries have been that kind of people.

What could they do under the circumstances which existed? Before a great country like Russia, with the Red Army with banners waving and bayonets glistening, Czechoslovakia had to collapse, notwithstanding the fact that in the last elections that were held it was indicated that the people were not in favor of totalitarianism, were not in favor of communism. From that standpoint, a league of a number of small nations, which

might give to each other strength and stability and stamina—if I might use that word—might be a desirable thing. But after all, I do not withdraw my other statement that they must want to do it, and they must begin the movement before the United States can afford definitely and directly to suggest it, especially in connection with a finance bill; and many propaganda agents would begin to pump out the material that it was a scheme to bribe them into doing it, or to coerce them under the pressure of economic need.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. HILL. I yield.

Mr. PEPPER. Mr. President, it seems to me that everything that could be said for a union of the countries of Europe applies to the union of all the countries of the world. The way to keep aggression down is for an international force effectively to resist it, and protect those who are the victims.

Mr. HILL. Mr. President, the Senator from Florida does not more fervently wish this magnificent structure of union for all the peoples and all the nations than I do. But as I see the situation, we sought to build that structure with the United Nations. We have, at least for the present, been stalemated in that work. Unable to build at this moment that great over-all structure for all nations, and for all peoples, we turn to building the structure section by section, hoping that we may finally arrive at the magnificent building for all the peoples and all the nations. If we can build this federation in Western Europe, it will simply be one section that we have built to fit into, to be a part of, this great over-all structure for all the nations and all the peoples.

Mr. President, the Department of the Interior surveyed the Nation's natural resources and reported that American productive capacity was ample to carry out the plan. The President's Council of Economic Advisers reported favorably on the strength of the American economy to meet the impact of European aid. Exhaustive studies were made by the executive departments.

The 16 nations of western Europe participating in the Marshall plan have submitted extensive data on their resources and needs, on the help they can give themselves, and the help they must have from the United States.

The Senate Committee on Foreign Relations and the House Committee on Foreign Affairs held extensive hearings, giving witnesses of every opinion the opportunity to record their views.

Secretary of State Marshall declared that the funds requested represent the minimum requirements for a successful recovery program. Mr. John J. McCloy, president of the International Bank for Reconstruction and Development, testified:

The amount recommended is conservative. Far from being extravagant, it provides a rather tight fit.

Under the astute and statesmanlike guidance of the Senator from Michigan [Mr. VANDENBERG] as chairman of the

Senate Foreign Relations Committee, the bill has been given the unanimous approval of the committee, obtaining the concurrence of both Democratic and Republican Members representing all shades of thought.

The unanimous conclusion of the Senate Foreign Relations Committee was that the program outlined and the funds requested cannot be revised or reduced without serious danger to the objective of the program—the rebuilding of a western Europe that can pay its own way in the world and play its part in preventing war and building the peace of the world.

From over the Nation as a whole, support of the Marshall plan and its objectives is practically universal. Approval has come from business, labor and agriculture, teachers, churchmen, youth organizations, and women's groups—the American Farm Bureau Federation, the National Farmers Union, the American Federation of Labor and the Congress of Industrial Organizations, the United States Chamber of Commerce and the National Junior Chamber of Commerce, the League of Women Voters, the General Federation of Women's Clubs, the National Federation of Business and Professional Women, the National Intercollegiate Christian Council; veterans' organizations, such as the American Legion, the Veterans of Foreign Wars, the AMVETS, and many other organizations representative of America.

The final verdict, after the most thorough bipartisan scrutiny, may be summed up in these words from the report of the independent Harriman committee:

The committee is convinced that a sound program for western European recovery should be formulated and adopted by the United States with the same boldness and determination, and the same confidence in the worthiness of the democratic cause, which characterized our action in World War II.

This is the choice. Now we must move ahead. The essential first step is to assure sufficient funds to give the recovery program a fair trial. We must not skimp or indulge in false economy. Halfway measures will hazard the success of the venture, if not assure its defeat from the very beginning.

Help for the exhausted nations of Europe cannot come through the United Nations. The United Nations is stalemated today by the veto of the very dictator nation which would overpower the countries we seek to help.

We have accepted the fact that America must act independently of the United Nations if the reconstruction program for Europe is to be carried out. We know that the Russian bloc would defeat the program if they could. We cannot make European recovery subject to the veto of a hostile Russia and her satellites.

But the European recovery program can be carried out by America in association with the United Nations and always in accordance with the spirit and principles of the United Nations.

And finally, as the Marshall plan goes forward, America can bear ever in mind that as the peace-loving and peace-loving nations grow in strength and independ-

ence—speaking the will of their peoples instead of the echo of ruthless power—the United Nations grows in strength and independence.

For the democracies, where human rights and freedoms are nurtured and cherished, have never been the war makers of this earth. Their strength is the strength of peace.

Mr. McMAHON. Mr. President, will the Senator yield?

Mr. HILL. I yield.

Mr. McMAHON. The Senator spoke in his peroration about the fact that we could not go to the United Nations and hope for success. If I am not mistaken, the Senator from Alabama was a cosponsor of a joint resolution introduced last June or July, calling for changes in the United Nations Charter. Am I correct?

Mr. HILL. No; the Senator from Connecticut is not correct. My distinguished colleague [Mr. SPARKMAN] was one of the cosponsors of that joint resolution, as I recall.

Mr. McMAHON. With due deference to the senior Senator from Alabama, I would say that that was almost as good.

Mr. HILL. I quite agree with my distinguished friend from Connecticut.

Mr. McMAHON. Does not the Senator think that we had better be getting to the business of undertaking to see what we can do to make the United Nations effective? If every time there is a crisis we say, "We must do this by ourselves, because the United Nations cannot do it, and it is subject to the veto," then is it not high time that under section 109 of the Charter we invited the nations of the earth in for the purpose of seeing whether the United Nations is to be an effective organization for keeping the peace of the world, or whether we must be reconciled to the fact that all we can get out of it is veto, veto, and veto, and no, no, no, while furnishing an auditorium and an audience before whom people who are doing the best they can to maintain the peace of the world can be called warmongers?

Mr. HILL. I share with the Senator his great desire and eagerness to do all in our power to make strong and effective the United Nations. I certainly believe that the thought which he has thrown out is one which is worthy of the most earnest, thoughtful, and immediate consideration.

Mr. McMAHON. Before this debate is concluded I intend to devote myself to a further exposition of that subject. I had intended to do so as quickly as I could, but I find that I must go to Connecticut to attend the funeral of the Governor of our State, who unfortunately passed away. As soon as I return, I intend to devote myself to a further exposition of that subject, and to point out that if anyone thinks that we can pass the pending bill and then retire, he is very much mistaken. We need to do many other things, and do them very quickly, or we are not going to insure the maintenance of peace.

Mr. HILL. I quite agree with the Senator that we cannot simply pass this bill and stop. We must continue. We must move forward. I shall await with interest the exploration of the subject.

which the Senator has projected here today. I am sure that other Senators, like myself, are eager to have the Senator from Connecticut, in his fine and able way, throw any light he can on the subject of what we can do to meet the great desire of our hearts to act now to strengthen, fortify, and make effective the United Nations.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. HILL. I yield.

Mr. CONNALLY. We must all bear in mind that the United Nations is a new body. As yet we have not had a great deal of experience with it. For myself, I favor the abolition of the veto, except in the one case involving taking up arms or going to war. I think that that is a question which we cannot very well turn over to someone else. We cannot afford to allow someone else to order us to send an army somewhere. But in all other matters I believe that the veto ought to be abolished, and provision should be made for a two-thirds vote, or a majority vote, or whatever is deemed best. But that can only be accomplished either by withdrawing from the United Nations and forming a new organization or working out the problem under the United Nations, in the constitutional methods which have been adopted.

I will say to the Senator from Connecticut that personally I welcome his views and suggestions. There are certain other respects in which the Charter could be improved. I am hoping that as we gain further experience under its operations we shall find where the rough places are, and in the course of time eliminate them. However, I do not believe that we ought to despair. I do not believe that we ought to throw up our hands and surrender.

Mr. HILL. The Senator knows the history of our own Federal Union. We started with the Articles of Confederation. It was a number of years before we finally found what is termed the "more perfect union."

Mr. CONNALLY. That is true. We lived under the Articles of Confederation for 8 or 9 years.

Mr. HILL. For some years we lived under the Articles of Confederation.

Mr. CONNALLY. It was during our experience under the Articles of Confederation that the weaknesses and errors of the Articles of Confederation became apparent. We then saw the necessity for a stronger and greater union, which eventuated in the Constitution of the United States.

Mr. HILL. After we agreed on the Federal Union and the Constitution, we had to agree on the first 10 amendments.

Mr. CONNALLY. We had to take 10 amendments which had been suggested and advanced in the Virginia convention, and with respect to which there had been some tacit agreement among the members that they would support ratification of the Constitution provided the 10 amendments, or their substance, should be afterward adopted. It was Mr. Madison himself, who had been so dominant in the convention, who, as a Member of the House of Representatives in the First Congress, introduced the first 10

amendments and secured their adoption.

Mr. HILL. Mr. President, we know that in all the 160 years since the ratification of the Federal Constitution our Government has continued to grow and develop. We have adopted a number of amendments to our Constitution.

Mr. TAYLOR. Mr. President, will the Senator yield?

Mr. HILL. I am about to yield the floor.

Mr. TAYLOR. I should like to ask the distinguished Senator from Texas a question, if the Senator from Alabama will yield for that purpose.

Mr. HILL. I yield.

Mr. CONNALLY. If it is an easy question, go ahead.

Mr. TAYLOR. This is an easy question.

The Senator from Texas has just stated that he was in favor of abolishing the veto.

Mr. CONNALLY. Except as to one subject.

Mr. TAYLOR. I should like to ask the Senator this question: If suddenly a number of countries should go Communist—enough to give the Communist bloc a majority of votes in the United Nations, the Security Council, and the Assembly—would the Senator still want to abolish the veto?

Mr. CONNALLY. That is speculation. In the first place, the majority of them are not going Communist. That is speculation on which I do not care to venture an opinion, because the Senator is so much better advised than I am as to what the Communists have in mind.

Mr. TAYLOR. I was not trying to find out what the Communists have in mind. I was trying to find out what the distinguished Senator from Texas has in mind, but inasmuch as he does not care to answer the question—

Mr. CONNALLY. I will say this, if it will be an answer: Even under those circumstances I would probably favor it, because, instead of 15 or 20 Communists, each one with a veto in his pocket on every question, we could whittle them down to the one issue of going to war.

Mr. McMAHON. Mr. President, will the Senator yield?

Mr. HILL. I yield.

Mr. McMAHON. I was very much interested in the comments of the Senator from Texas about the way in which we perfected our Federal Union and how the Bill of Rights became attached to it. I am reminded that we lived under the Articles of Confederation for about 14 years. I believe that the difficulty in the thesis of the Senator arises in the framework of reference, because we have not that much time in which to solve the problem. Let me say to the Senator from Alabama and the Senator from Texas that if I thought we had 14 or 15 years to solve the difficulties which the veto has raised and the difficulties in the operation of the United Nations, I would be the most optimistic and pleased person on the face of the earth. I may be wrongfully filled with the conviction that this world is marching to a crisis in seven-league boots. That crisis is not going to wait for trial and error over a period of years

to enable us to devise the mechanics to avoid a third world war.

Mr. HILL. Mr. President, the distinguished Senator from Connecticut is a member of the Joint Committee on Atomic Energy and former chairman of the Senate Special Committee on Atomic Energy; and I know that he is impressed with the terrific speed with which events move today. I agree with him in his implication that we must move with all the speed possible in strengthening, fortifying, and making effective the United Nations.

Mr. LUCAS. Mr. President, will the Senator yield?

Mr. McMAHON. Mr. President, will the Senator yield for one further observation?

Mr. HILL. I yield.

Mr. McMAHON. At the time referred to the farthest point on the earth was not 48 hours away by airplane and one-tenth of a second away by radio.

Mr. HILL. I now yield to my friend from Illinois.

Mr. LUCAS. Mr. President, I should like to say one word in connection with the last statement made by the Senator from Alabama. The able Senator opines that we ought to move with speed. That is exactly what we ought to do with the debate upon the Marshall plan.

We apparently are going to extend the debate in the Senate, and so will the Members of the House of Representatives, until finally April 1 will go by and April 15 will pass; but all the time while we are debating in Congress, under our democratic way of life, Stalin is moving with speed.

Mr. HILL. I agree with the Senator.

Mr. LUCAS. I do not wish it understood that I am making any of these remarks as a criticism of the magnificent speech the Senator from Alabama has made today. But when I listen day after day to the statements that are made upon a lot of technicalities and a morass of arithmetic that has little or nothing to do with the great, fundamental principles and objectives which are involved in the Marshall plan, I cannot help but feel that we are losing time, Mr. President, and losing it fast.

I pray and hope that something will stir this Congress to such an extent that by April 1 we shall not only finish our discussion of the question of the passage of the authorization bill in both Houses, but we shall be able to tell our friends in the western European democracies that we have passed the Marshall plan and the appropriations for it. Not only will that give to those who cherish freedom in their breasts the psychological boost they need to have in order to carry on, but it will have a determinative influence toward dissuading Stalin and his associates from their attempts to expand their movement in the world today.

Mr. HILL. Mr. President, I share so wholeheartedly the feelings which have been expressed by the Senator from Illinois that I now yield the floor.

Mr. SALTONSTALL. Mr. President, let me state from the seat which I now occupy that I agree entirely with the sentiments expressed by the Senator from Illinois; and I hope that regardless of whether we agree with each other or

not, positive action will be taken as quickly as possible.

Mr. FLANDERS. Mr. President, I propose to address myself briefly to the support of Senate bill 2202, the measure pending before this body.

What are the purposes to which this bill addresses itself? This is not a relief measure. Heaven knows that relief is needed by tens and hundreds of millions of people. Relief is needed by practically every nation which suffered the ravages of war. Other tens and hundreds of millions are chronically in need of relief. Even the thought of them arouses our sympathies. But to carry the relief burden of the world is beyond our powers. Should we try to undertake it, we would pull ourselves down to a point where we could not give the assistance which in times past we have always been glad to bring to populations who were suffering under some serious and special calamity.

Nor does the assistance planned in this bill seek a reward in gratitude. We had best immediately write gratitude off the books as an expected asset in the transactions we are considering. Gratitude in relationships of this sort is a shallow and short-lived sentiment. Only those who are inexperienced in the ways of the world or incurably optimistic expect such a result from the program of assistance which is before us.

It is true that we may properly expect favorable relationships to grow out of this undertaking. They will not arise from the emotions transiently felt by a beneficiary toward a benefactor. There is a chance that we may generate in a large degree those emotions of mutual trust and respect which are the normal result of business transactions which are profitable to both parties to a bargain. This is the usual and proper result of such transactions, and at least to that extent the undertakings contemplated in this bill can accomplish friendly relationships on each side of the ocean. Such feelings are stronger and more durable than gratitude.

This country is not looking for prestige. It has all it can use. It is not looking for power. It has, likewise, all of that it knows how to use.

The hard core of necessity to which this undertaking addresses itself is simply this: Are we willing to entrench ourselves behind a Maginot line or a Great Wall of China here on the North American Continent, and trade or travel in the rest of the world only as permitted by a power stronger than we are? That is the direction in which the world is moving. That is the ultimate fate we are facing. That is the question which we must answer with a "Yes" or "No." There seem to be those who answer "Yes." I, at least, am not among them; and I doubt whether there are any on this floor who give that answer. Our answer is "No."

This is the harsh materialistic aspect of the problem we are facing, but it is deeply related to our cherished ideals, as well. We believe in the worth of the individual. We believe in the freedom of the individual man. We believe that a government and a society based on

those concepts will provide greater material, intellectual, and spiritual blessings than will any other form of government which the mind of man has conceived. Not only do we believe this, but we have proved it.

The prospect we are facing is one in which those ideals are extinguished in country after country after country. The midnight of the human soul rolls on toward us. What shall we do about it?

We all know that there is no surety of success in this proposal for economic cooperation with the 16 nations. We all know that it may be too late. But the chances of success are good. We know that if this undertaking is not sure, the alternative of the extinction of civilization in Europe is as sure as anything human can be.

Mr. President, my plea is for speed in this matter. This is not the first time in the few months I have been a Member of this body that we have been urged on to speed in the passing of legislation of this sort; notably, the Greek and Turkish loan was urged upon us as a sudden crisis. The situation in Palestine is a sudden crisis. Other requests for our action have been based on the appeal to crisis psychology. This case is different. The crisis argument is not one carefully prepared by the administration and suddenly unveiled to us in all of its terrifying possibilities. This is a crisis which we ourselves can see. This is a crisis which the people of this Nation can see. There is a headlong rush to the course of events which all can observe.

There are those in this country who live behind a curtain. It is not an iron curtain. It is a curtain of fog which a certain type of midwestern journalism has drawn around a great area in this Nation. On February 11, I chanced to be in the great capital of the Midwest. On the front page of a local newspaper was a cartoon which showed, in an upper half, a figure representing the beggar nations appealing to Uncle Sam for money, and threatening, if the money was not forthcoming, to throw itself off the cliff into the abyss of communism. The lower half of the cartoon showed Uncle Sam refusing the appeal and walking away without concern, whereupon the European suppliant shudderingly and fearfully crawls away from the edge of that abyss.

Surely, Mr. President, even those who are subjected to this kind of propaganda day by day, week by week, month by month, year after year, must by now realize that the sinister advance of communism is a reality; that it has swallowed up nations like Czechoslovakia, and is swallowing Finland, the majority of whose people have no stomach for it and are fundamentally freedom loving.

Surely even these mistaught fellow citizens must realize that the cloud of darkness is rolling toward Italy and France. Surely they must realize that their nation and ours is living in a world whose limits are being contracted about us.

Mr. President, this bill represents the acceptance of a calculated but still hopeful risk. Delay will make that hopeful risk hopeless. There is a dead line set.

That dead line is April 18, when the Italian Nation holds its elections. That country has made a brave endeavor to meet in letter and in spirit the fundamental requirements on which this bill is based. They have endeavored to stabilize their currency. They are endeavoring to build up their production. They have undertaken to hold conversations with their one-time enemy, the Republic of France, in an endeavor to establish economic and possibly political cooperation.

Within the past few weeks similar conferences for economic and political cooperation have been taking place between other nations of western Europe. They are straining every nerve to qualify themselves for the support and cooperation which this bill provides. We cannot fail them. We must not even loiter by the way.

Mr. President, the slow progress of this bill is a mutual and international calamity. Can we not do something about it? For one thing, we can shorten our speeches. To set such poor example as lies within my power, this is a short speech.

Can we not do more? On the St. Lawrence seaway question, unanimous agreement was reached as to a last day on which amendments could be offered. I am told this was an almost unprecedented action. Does not the seriousness of this situation suggest that the unprecedented precedent is repeated? Can we not therefore and at a date not too much later obtain unanimous consent for a vote? Hour by hour, day by day, April 18 is hurrying toward us. We cannot delay its implacable advance. We must not fail to do our part long before it reaches us.

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

H. R. 408. An act for the relief of Lawson Ashby, and others;

H. R. 431. An act for the relief of the Columbia Hospital of Richland County, S. C.;

H. R. 621. An act for the relief of Vera Frances Elicker;

H. R. 697. An act for the relief of Mrs. Essie N. Fannin, Miss Helen Hicks, Miss Marie Hicks, Miss Frances Fannin, William O. Thompson, and Mrs. W. D. Thompson;

H. R. 993. An act for the relief of the estate of Norman C. Cobb, Naomi R. Cobb, and Garland L. Cobb;

H. R. 1131. An act to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim or claims of Charles L. Baker;

H. R. 1139. An act for the relief of Dr. Gisela Perl (Krausz);

H. R. 1152. An act for the relief of Mrs. Inga Patterson, widow of F. X. Patterson;

H. R. 1298. An act for the relief of Anastasios Panage Ionnatos (known as Anastasios Panage Ionnatos or Tom Panage Yanatos);

H. R. 1654. An act for the relief of the estate of Mrs. Elizabeth Campbell;

H. R. 1864. An act for the relief of Mrs. Raiford D. Smith;

H. R. 1929. An act for the relief of Edwin Osgood Cogan, his wife Helen Olga Cogan, and his daughter Isabel Joan Cogan;

H. R. 2012. An act for the relief of Mrs. Pearl Cole;

H. R. 2268. An act for the relief of Charles E. Crook and B. L. Fielder;

H. R. 2293. An act to amend the act entitled "An act to regulate navigation on the Great Lakes and their connecting and tributary waters," approved February 8, 1895;

H. R. 2373. An act for the relief of Stanley-Yelverton, Inc.;

H. R. 2374. An act for the relief of Nita H. Stanley;

H. R. 3175. An act to add certain public and other lands to the Shasta National Forest, Calif.;

H. R. 3742. An act for the relief of Robert Wilhelm Gerling;

H. R. 3936. An act to authorize the United States Park Police to make arrests within Federal reservations in the environs of the District of Columbia, and for other purposes;

H. R. 3964. An act for the relief of Thomas D. Sherrard;

H. R. 3973. An act relating to the compensation of Commissioners for the Territory of Alaska;

H. R. 4331. An act for the relief of Bertha M. Rogers;

H. R. 4541. An act for the relief of Jesse F. Cannon, Jackson Jones, and the estate of John Halstadt;

H. R. 4570. An act for the relief of Howard A. Yeager; and

H. R. 4980. An act relating to the acquisition by the United States of State-owned lands within Glacier National Park, in the State of Montana, and for other purposes.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. TAYLOR. Mr. President, I rise to speak against this so-called European relief program, perhaps more familiarly known as the Marshall plan. I expect this bill to pass. I do not expect to be able to stop its passage. Nevertheless, I do not believe that what I have to say is a rear guard action in a hopeless cause.

This is not part of a strategic retreat, but rather I conceive it to be an advance skirmish for battles yet to come, battles that will be won in an all-out fight against a foreign policy the underlying purpose of which I believe to be the economic domination of as much of this world as we can possibly bring into our sphere of influence by the most extravagant expenditure of billions of dollars and a great show of military strength.

The Senator from Florida asked if I should like a quorum call. I would not. There is no reason in the world to ask for a quorum call. I shall talk for some time, and I do not want anybody to listen to me unless he wants to listen voluntarily. It is a well-known fact that very few opinions are changed on the floor of the Senate. We talk to the people generally, in the hope of changing their outlook upon matters, and eventually of changing the Congress by changing its composition.

But, Mr. President, I should like to say that those of us who are not on the Foreign Relations Committee are at somewhat of a disadvantage when we are vitally interested in matters of foreign affairs. We have our own committees, upon which we must be in attendance at all times. We then have to try to catch up with the experts who are on other committees. I should like to show the disadvantage under which we labor. Hearings were held upon the pending bill for a good many weeks. The bill was written, a report was prepared, and the evidence compiled. I hold in my hand three bound volumes totalling 1,470 pages. They were placed upon the desks of Senators simultaneously with the distribution of the bill itself, which contains 39 pages, and with the report which contains 69 closely printed pages. It is necessary for us to start from scratch. The debate begins immediately. It is very difficult. I have heard in the Senate today a great deal of criticism of the processes of democracy. It has been said that they should be speeded up. That is all very fine. I am for speed if possible, but it seems to me that in a question of the importance of what we are considering, when there is such a mass of evidence, Senators should have an opportunity to study the matter. After the evidence is compiled and the report distributed, we should have at least a week in which to study the matter before it is brought out on the floor.

I have stated that for a long time I have thought the Marshall plan to be a continuation of our foreign policy, the object of which is to extend economic domination over as much of the world as we possibly can. I want to apologize, Mr. President, for not having been in attendance on the Senate floor to hear more of the debate. I was preparing the talk that I intend to deliver now. Incidentally, it is quite a long talk. I apologize for that; but as the minority leader within the minority, I can say that this will be the only speech delivered by my party on this subject. [Laughter.]

I was saying, Mr. President, that I arrived in the Senate Chamber just in time to hear the senior Senator from Alabama [Mr. HILL] speak. I have always had a high regard for the Senator from Alabama. He is a liberal. I have conceived him to be a liberal. Coming from the South, that is saying a great deal about a man. He must indeed be courageous. One must be courageous to be a liberal, coming from Idaho, but it requires even greater courage to be a liberal coming from the South.

Certain of the remarks that passed between the Senator from Alabama and the Senator from Mississippi [Mr. EASTLAND] distressed me greatly. Of course, they confirmed completely within a very few moments what I have contended right along, that this is a bill for economic exploitation. Let me quote from the colloquy of the Senators:

Mr. EASTLAND. The Senator has spoken of the loss of those markets. Of course, if Russia takes over western Europe, we shall have permanently lost those markets. But does the Senator think for one moment that if we permanently lose our historic markets in

western Europe we would be able to maintain the private-enterprise system in the United States?

That is one page, and the word "democracy" or the name "United Nations" does not appear. It is merely a matter of markets and private enterprise.

The next page has this to say:

Mr. HILL. I may say to the Senator, I do not; and I may say to the Senator further that I support the Marshall plan for the same reason that I supported the repeal of the arms embargo, the repeal of the Neutrality Act, the enactment of lend-lease, and the passage of the selective service bill. I felt that if we permitted totalitarian aggression on the part of Hitler and the Japanese war lords we could not maintain our free American domestic economy—

Nothing about our democratic way of life.

We could not preserve our American freedoms.

That is the nearest we come to mentioning democracy.

I feel the same way today about Russian totalitarianism.

Mr. EASTLAND. Mr. President, will the Senator yield for a question?

Mr. HILL. I yield to my friend.

I should like to say, Mr. President, that I told the Senator from Alabama I was going to comment upon what had transpired, but the Senator is not present.

I read further:

Mr. EASTLAND. The point is that if we were to lose permanently those markets, it would be followed first by Government control of business in this country. The Senator has spoken of the cotton business. If those markets for American raw cotton were to be permanently lost to us, the United States would have to begin with drastic acreage control and a subsidy program much greater than it has ever undertaken before. There would be Government control of every farmer in this country who is engaged in the production of cotton. That is true of other lines of business. There would first be Government control, and then, American industry could not profitably operate with the loss of those markets, as it cannot profitably operate unless it can run at capacity or near capacity. Foreign markets are essential to that. Within a period of a few years we would be driven to some form of socialism in this country. So, when we support this program and follow it by armed force, if necessary, we are saving the capitalistic system in the United States, because Russia knows that she could destroy our economy and our system without firing a shot simply by refusing to do business with us.

Mr. HILL. I thoroughly agree with the Senator. It is exactly what I sought to say, though the Senator has said it better and in more detail, when I spoke of the fact that if we permitted these western democracies to go down and if we lost our trade, we would be forced into such a system of governmental regimentation that we would lose many of our freedoms, and, to a greater or lesser degree, we would be forced ourselves into some form of totalitarian government.

We strive today to prevent war, to preserve and build the peace, and also to maintain our free private-enterprise system.

That is all of the discussion between the two Senators.

It is exactly what I have contended for approximately 2 years, that our foreign policy has set out to guarantee our domination of other countries in order that

we may have places to which to export our manufactured and other goods.

We are stupid, Mr. President. There are those in this country who are too selfish to permit us to figure some way to permit American workers to share in the full product of the things which are produced by their labor. We must export in order to keep this so-called private-enterprise economy growing, or at least if it is to remain private enterprise. I think we can modify it with some socialism. We could have an era of some private enterprise for some entrepreneurs. We could keep our democracy, and we would not have to fight a war. But these bipartisan foreign-policyites are willing to risk the extermination of mankind with atom bombs and bacteriological warfare in order to preserve the monopolist domination of American big business all over the world.

I expect this bill to pass, not because it is right and not because the people want it or because of the power-politics approach which it represents, but because the Congress has drifted far from the thinking of the people. This state of affairs is not new to America. It has happened before—1932 is the most recent example. At that time, even as now, big business was in the saddle.

I cannot say that they were riding high—they had been riding high, but their selfish disregard of the general welfare had brought us to the verge of ruin. However, then as now, their stooges in places of power in the Government had shut their eyes and refused to read the handwriting on the wall, and a great political upheaval sent big business to the dog house and their political hangers-on to oblivion.

Mr. President, the bipartisan coalition which is inexorably driving this vicious and stupid piece of legislation through the Congress will, I am convinced, meet its Waterloo, come next November. I have described this piece of legislation as being vicious because I believe it makes infinitely more remote any possibility of reversing the present trend toward war and of preserving the peace of the world. I have called it stupid, at the same time, because I do not believe it will accomplish the desired object of those who sponsor it, namely, buying the friendship of western European nations with a view to their becoming our allies in an expected war against Soviet Russia. Friends cannot be bought, and we do not make allies of nations by interfering in their internal affairs.

This piece of legislation is vicious because it masquerades as unselfish aid for others when it is becoming more evident each day that its object is to use the taxpayers' dollars to aid American big business economically to dominate the so-called free-enterprise areas of the world.

It is stupid because it may well wreck our economy at home in a futile attempt to guarantee our economic supremacy abroad.

Mr. President, I believe I am as sincere as any man in my desire to feed hungry people and help rehabilitate the economy of stricken nations.

I am for aiding all those who need help, to the reasonable limit of our ability and

resources. But I believe that all help should be channeled through the United Nations.

I believe in the United Nations. It is our only hope. The people of Idaho believe in it. They want to see it grow and become strong. They elected me on my promise to support such an organization to keep peace in the world.

In setting up all these schemes and plans like the Truman Doctrine as applied in Greece, and now the Marshall plan, we are not only failing to help the United Nations grow; we are positively undermining, weakening, and will eventually destroy the United Nations by such tactics.

The people of America have placed in the United Nations, all their hopes for peace, but they are coming to realize day by day that the architects and the planners of our foreign policy have no real interest in the United Nations.

The bipartisan coalition pays lip service to the United Nations, yes, as politicians are prone to pay lip service to any cause which they feel is popular with the people, whether it be old-age pensions, lower taxes, or, to mention a regional appeal, development of natural resources in the West.

NO LOVE FOR UN

But they have no real interest in the United Nations.

The first concrete proof we had of this was when our Government took unilateral action in Greece and got this Nation into one of the worst messes, if indeed it is not the most disastrous predicament, in which America has ever found itself.

The latest proof of the lack of genuine interest in the United Nations on the part of our politicians with the bipartisan approach is the sell-out of Palestine.

Both old parties must take responsibility for these tragic fiascos because the leadership of both old parties boasts that they are as one on foreign policy.

The distinguished senior Senator from Michigan is hailed far and wide for his very able work in dissolving party lines in the Senate.

The distinguished senior Senator from Texas would doubtless like to take full credit if he could but figure some way to do so.

However, the glory of spending money to fight communism commands such attention in the press of America that even to bask in the reflection of the spotlight, throws an aura upon all those who can even get close to the center of the stage.

PROPAGANDA CONFUSES PEOPLE

The reactionary press, the generals and admirals, big figures in the finance and business world and, of course, those politicians who like to go with the tide, have created such a furor, hubbub and hullabaloo over the desirability of giving away billions and billions to try and bribe people not to be Communists, that our own people are utterly confused.

Mr. President, the word "Communist" reminds me of something. I realize that by taking the position I am assuming, namely, that the Russians are not absolutely hopeless, that it is possible to get along with them, I am laying myself open to the charge of being a Communist—a Communist sympathizer, at least. The

distinguished senior Senator from Texas made that very plain a moment ago when I asked him whether he would want to see the veto abolished if a majority of the members of the United Nations were Communists. He retorted that he was not as much of an expert on communism as I was.

Mr. President, I dare say I may be subject to that, as I have stated, but I have made up my mind to that, and I warn all my colleagues, that I am not going to take it lying down. If they want to accuse me of being a Communist sympathizer, if they want to call me "red," and one thing and another, by insinuation or innuendo, Mr. President, I say, let them beware, because I shall come back in kind.

Mr. CHAVEZ. Mr. President, will the Senator from Idaho yield?

Mr. TAYLOR. I am glad to yield to my very good friend from New Mexico.

Mr. CHAVEZ. I believe I shall vote for the measure before the Senate, but I desire to say to the Senate now that I do not believe the Senator from Idaho is a Communist.

Mr. TAYLOR. I thank the Senator from the bottom of my heart. I appreciate his remark.

Mr. CHAVEZ. If the Senator will permit me, if the pending proposal is directed against communism, if its proponents are fighting communism, and they really mean it, why leave out Spain? The only country out of the whole group of the nations which fought the Russians right along was Spain. There are more Communists in Italy, more Communists in France, and more Communists in Greece than there are in all of Spain.

What I should like to see is a little sincerity of purpose. If the legislation is intended to protect the United States, I am for it absolutely; but let us not hear about it being against communism, because I do not believe it.

Mr. TAYLOR. I do not believe the bill is designed to fight communism in order to protect democracy. Rather, it is designed to fight the socialism of communism to protect capitalism, monopoly capitalism.

Mr. CHAVEZ. Mr. President, if it is to fight for democracy, why take in Portugal? Does any Member of the Senate believe that Portugal and many of the other countries which will be participants under the program are democracies?

Mr. TAYLOR. It has no relation to democracy, I am sorry to say to the Senator, just as relief to Greece has no relation to democracy, but is one of the most frightful chapters in the history of America, if not in the history of the world.

Even the politicians have become muddled by this great extravaganza of tub-thumping.

They have become so addled by the adulation of the press that many of them honestly believe that it is good politics to get rid of billions of dollars no matter how ruthless and corrupt the scoundrels may be who receive it if they can but make our people believe they are fighting communism.

Even our Republican friends, long known for their economy talk—mostly

talk—have succumbed to the great delusion.

However, the Democrats have beaten them to the punch.

They were giving away money all over the world with the exception of one place—China.

Of course, they had already given several billion dollars to China, but even the most extravagant spenders had decided that no possible good could come from pouring billions into China, so they had decided to let Chiang Kai-shek meet his just, though unhappy fate.

This was the opportunity the politically minded Republicans had been looking for.

Amid all the din and furor even they, with all their vaunted conservative good business judgment, have been overcome and, like children, fighting for a place to throw peanuts to the monkeys, the erstwhile tight-fisted cohorts of TABER have elbowed themselves a place near the money bags with loud shouts of "More money for Chiang. Billions for China."

They have taken advantage of this coveted opportunity with all the desperate enthusiasm of a month-old suckling pig scrambling for a vacant teat.

JOKER IN DECK

The joker in the deck of this supposed enthusiasm on the part of the American people for this great spending orgy is this:

All of the propaganda for this Marshall plan or this bipartisan European recovery plan, otherwise known as BERP, most recently rechristened ECA, all of this propaganda has insidiously conveyed the idea to the American people that this scheme would in some way strengthen the United Nations.

Of course, the truth of the matter is that it insolently bypasses the United Nations without so much as a by-your-leave to that fast expiring last hope of mankind.

Mr. President, I should like to quote here some testimony delivered before the Senate Foreign Relations Committee by Mr. William Batt, Sr., which I culled from the luminous reports of the hearings.

Mr. Batt is chairman of the Philadelphia branch of the Stimson committee dedicated to the unholy purpose of trying to convince the American people that in some way the ECA, otherwise known as BERP, originally the Marshall plan and before that the Dulles plan, will help the United Nations keep peace in the world.

But the truth will out, Mr. President, and in his testimony before the committee, Mr. Batt confirmed something that I have known for a long time but which may be surprising to some of my colleagues.

He told about how his committee, together with other organizations, such as the Foreign Policy Association and the League of Women Voters, had taken polls in Philadelphia.

They found that people wanted to help Europe.

In fact, they wanted to help hungry people everywhere.

They were willing to be taxed for that purpose.

They did not want us to tell anybody that they could not have any more socialization, which revelation of incipient liberalism doubtless sent cold chills up the spines of industrialist Batt.

PEOPLE FOR UN

But the thing about this poll that is most significant and that a great many politicians seem to have overlooked is this—and I quote Mr. Batt:

As to administration of the plan, a majority would have this accomplished through the United Nations.

Yet, there is a distinct minority who would have the United States administer this aid alone.

Mr. President, that distinct minority doubtless includes Mr. Batt and his fellow industrialists who are looking for markets all over the world and see in the Marshall plan an excellent way securely to fasten their talons in prospective customers everywhere outside the zone of Russian influence.

It would also include John Foster Dulles and his moneyed friends in Wall Street.

With a few notable exceptions, this category would also include the generals and admirals who, because of its threat to their way of life, fear peace worse than a rattlesnake.

Then, of course, there are the politicians who like to go along with the big boys and have the press pat them on the back.

These people represent that distinct minority referred to by industrialist Batt.

The American people, Mr. President, are not going to be happy when they find out what has been done to them; how they have been fooled; how the United Nations has been bypassed, undermined—almost destroyed.

The time has come when lip service to the United Nations, no matter how loud, is no longer fooling the American people.

Palestine has brought these bipartisan, bypass-the-United-Nations foreign policy boys face to face with that awful question so well expressed in the boogey-woogey term, "is you is or is you ain't" for the United Nations.

BETRAYING PALESTINE

The oil interests and therefore the money interest and naturally therefore Mr. Forrestal because he represents the money interests and, of course, the military because of their natural inclinations and the more compelling reason that Mr. Forrestal is their boss, all these interests want us to betray Palestine for oil.

By their indecision in this matter the friendly mask of the United Nations has been drawn from their bipartisan countenances, and their two-faced duplicity is exposed for all to see—for all the world to see, Mr. President.

I am going to discuss our foreign policy in general because anyone who stops to think for a moment must realize that this European-aid scheme is not something set apart.

It is some more of our foreign policy and to be understood it must be fit into its proper place as part of our over-all foreign policy.

It is naive to think for one moment that we can have a foreign policy which

is a desert barren of Christian principles and studded with the cacti of the Truman doctrine and aid to reaction and then suddenly find an oasis in the midst of all this labeled ECA.

It is foolish to imagine that the scheme we are considering is any different than what has gone before.

It is the offspring of the same parents, Mr. and Mrs. Bipartisan Coalition.

Now, if as I have said, the American people want us to work through the United Nations, if they want to get along on friendly terms with the Russians, how in the world did we happen to be saddled with this get-tough foreign policy?

It is all really very simple, Mr. President.

All we have to do is put ourselves in the other fellow's place.

I have found that that is the best way to understand why people do certain things or why certain things happen.

Just put yourself in the other fellow's place.

Try to figure out what you would do in his place and generally it will be pretty easy to see why he behaved as he did.

Let us go back to the closing days of the last war.

Victory was assured.

Already there was brave talk of disarmament.

Not just a little disarmament, but total disarmament.

A glorious new organization had come into being, dedicated to the proposition of peace on earth.

The United Nations had been born.

CORPORATIONS AND GENERALS

Suddenly, the generals realized that their way of life was in grave danger of joining the dodo.

Now how would you feel under those circumstances, Mr. President, if you were a general?

How would any ordinary human being feel?

They had always been a privileged class, but during the war their power and prestige knew no bounds.

They were wine and dined, toasted and toadied to.

Honors were heaped upon them for the great victories they had won.

They did win great victories, Mr. President.

Of course, the GI's helped out a little but the generals won great victories and we want to give them all due credit.

They had billions to spend with no questions asked.

They spent most of it, of course, with the big corporations, General Motors, the Steel Trust, du Pont, and the others.

If the little fellows got a contract it was generally second-hand after the big boys had taken their cut out of it.

Of course we will not complain, Mr. President.

There was the war to be won and there was no time to worry whether or not we were strengthening monopolies.

But all of a sudden the war ended and all this talk of peace and disarmament.

If there were peace, there would be no more need for big armies.

Gone the privileges and honors, the brass and the braid.

Many of these generals were utterly unprepared for any other way of life.

They would have to start all over again, right at the bottom of the ladder, possibly.

Now how would an average man react under those circumstances?

I think he would do just what the generals did.

After all you cannot blame the generals for wanting to see their jobs continued.

The Bible says, "Where your purse is, there also is your heart," and if you have sufficient reason to want to believe something, if your very livelihood depends on it, it is the most natural thing in the world to rationalize the proposition until you actually become convinced that what you want to believe is right—even if you are trying to convince yourself that there should be armies and generals.

So that is what the generals did.

They wanted to stay generals but if they were to remain generals they would have to have a big army.

If they were to have a big army they must convince the American people and the Congress that the Army was necessary so that they could get billions of dollars to make the big army possible.

But in order to get the taxpayers to cough up the money for the big Army they had to convince the people that they were in danger of being attacked by somebody.

They had to have a bogeyman, Mr. President.

And who was the logical candidate?

There was only one—just one.

Just one country left sufficiently strong and big enough to be dressed up as a bogeyman.

That country was Russia.

PROPAGANDA AGAINST RUSSIA

So the generals started issuing statements about the danger of our being attacked.

They started pointing out how strong Russia had become.

They conveniently forgot that Russia had been devastated.

According to the experts, a devastation so great that to be equaled in this country we would have to be totally destroyed from Kansas City east.

They also conveniently forgot that Russia had lost somewhere in the neighborhood of 15,000,000 people in their great fight against the Fascist legions of Adolf Hitler.

But, Mr. President, the statements continued to emanate from high military authorities.

Politicians picked up the hue and cry.

The press, always looking for something sensational, was happy to join in.

Almost overnight, if you will go back and read the headlines, as I have recently done, the heroes of Stalingrad became the villains of the Kremlin.

It was as simple as that, Mr. President.

Nor were the generals without friends in other high places.

The big corporation and cartel boys were happy to throw their influence behind any scheme to prevent peace and calm from settling upon the world.

They had become used to noncompetitive, lucrative armament contracts.

And while they dearly love private enterprise, it is nice to have Uncle Sam

hand you millions and billions for heavy war equipment that the little fellows just cannot build at all.

So Wall Street was happy to join in.

Some of these anti-Russian agitators might not actually want war, but they do want to keep the tension just short of war so they can keep the armament racket rolling.

The trouble is, Mr. President, it is difficult to keep just the right tension.

As the distinguished and able senior Senator from Georgia [Mr. GEORGE] recently said, "Americans are not so constructed that they can hate any power for 4 years without being at war with it."

We gave the armed services eleven and a quarter billion dollars last year, Mr. President.

That is a great deal of money for the generals to spend with their corporation friends; and in the spending of eleven and a quarter billion dollars many attitudes can be influenced and even created.

A great deal of support cooked up in many different places.

So we are on our way again.

The United Nations is almost at the end of its rope.

The "get tough" foreign policy is rolling toward destruction like a streamlined train without an engineer.

Wall Street has taken over the Government and is keeping the surplus generals temporarily employed as civilian administrators in countless posts that never before have known the ponderous hand of the military.

HITLER'S IDEA

Remember, Mr. President, that both old parties must share the responsibility for this state of affairs.

This war economy is something so much to the liking of their moneyed masters that they are equally enthusiastic for the program.

In the matter of foreign affairs, Mr. President, there is no longer a two-party system in America.

We have a one-party system just as certainly as Hitler did, and it is beginning to appear that the only difference between the old parties in domestic policies is a matter of talk and messages on the state of the Union.

Now the bipartisan Wall Street military clique knew that their scheme was full of holes and wide open to criticism.

They knew it would be bad if the American people got wise to their schemes.

So what did they do, Mr. President?

They just took a page from Adolf Hitler's book and started a Red hunt.

Anybody who disagreed was a Communist.

They were in an excellent position to make it stick because they had most of the press. Mr. President, in the last 2 years the names of the liberal commentators who have disappeared from the radio, those who might have criticized and exposed this nefarious plot against the peace; but who have been booted off the radio for one excuse or another, are legion.

SCIENTISTS DISSATISFIED

It is very difficult, Mr. President, to stand up against this diabolical witch hunt.

Witness the attack on Dr. Edward Condon the last few days.

Here is a great American scientist, one of the greatest, who had already been cleared of suspicion; but in this witch hunt business, Mr. President, there is such a thing as double jeopardy.

If one of these committees or the FBI gestapo make up their mind to get a man, they will come at him again and again from every angle until either they get him thrown out or the tension becomes so great that he gives up and bows out.

We are going to wreck our atomic program with these methods, Mr. President, because scientists are self-respecting people who refuse to be hounded and shadowed and have the finger of suspicion constantly pointed at them.

Unfortunately, it takes brains to do scientific research, and men with brains just simply refuse to be kicked around.

However, that is beside the point.

Let us get back to the Red hunt.

Seeing the headlines given to the congressional Red hunters, politicians all over the country are going in the red-hunting business everywhere.

They have their own local Red hunt out in Los Angeles County.

Yes, it has gotten down to the county level now.

Out there the local edition of the Thomas committee, headed by a man by the name of Tenney, is going full blast.

Better than our big committee here, in fact.

Mr. Tenney personally made up a list of 150 organizations which he declared to be subversive.

Some of them have since been taken off the list when Mr. Tenney found out they had considerable numbers of voters on their membership rolls.

But in the beginning, Mr. President, anybody who belonged to any one of those 150 organizations was ineligible to hold a county or municipal job in Los Angeles County.

Perhaps it is important to be sure county employees are not Red sympathizers.

One of the employees of the sewer department in Los Angeles might tell the Russians the size of the sewer pipes, and they could conceivably sneak up through a sewer pipe in Los Angeles and sabotage the whole business.

The spectacle the American press is making of itself is a disgrace to the traditions of American journalism.

It is a bad day indeed when the word "Red" or "Russia" is not prominently displayed in a headline.

It is not an uncommon day when three or four headlines on the front page are devoted to "Reds," "Russia," or "Stalin," 999 times out of a thousand in a derogatory manner.

Last year I went on a meet-the-press program.

One sits at a table and is questioned by four or five newspaper reporters or columnists.

I like to get on that program.

It is a good place to have one's ego deflated.

I have forgotten exactly what the subject was.

I remember that the word "Russia" appeared in it somewhere.

But I knew that they would be asking me many questions about Russia.

You see, I have gone on the assumption that conditions between the Russians and us are bad enough without my trying to make them any worse, so I have refrained from seeking publicity by denouncing Russia every day of the week.

As a consequence of that, I guess, they have just put me down as a Russian sympathizer; and every time I get on a radio program in the nature of a debate or a question period, they always try to prove, either by questions, insinuations, or innuendoes, that I have my last check from Joe Stalin in my hip pocket.

I knew that would happen on that program, so I just tore the front page off the Washington papers for a few days before the broadcast, and took them along with me.

We had not gotten very far with the program when one of my inquisitors came at me with a question something like this:

Now, Senator TAYLOR, do you actually believe that it is possible for us to get along with the Russians?

SENSATIONAL PRESS

I said:

Yes; I think it might be possible if the press would just start telling the truth and quit sensationalizing every disagreement with the Russians.

Of course, Mr. President, that got the boys all excited. They all tried to get at me at once. Finally the moderator got them quieted down a little and designated one to chew me up.

He said:

Why, Senator TAYLOR, do you mean to insinuate that the great American press doesn't present the facts as they are? Do you mean that we're not fair? What do you mean?

So I just pulled those front pages of the Washington papers out of my pocket and said, "Here is what I mean." And I started reading the headlines. I would read an anti-Russia headline and a little of the article, and then ask them if they could not have put a more truthful and a less sensational anti-Russia headline on the article. Well, sir, they did not have much to say.

I remember one page I had particularly. It was off the Times-Herald, as I remember. It was just a few days after a girl had been murdered out in Los Angeles—the Black Dahlia murder case. This particular front page had an article in the upper left-hand corner, about three columns wide, "Reds stealing election in Poland." Down in the middle of the page was another article with a border around it to attract attention, and it said, "Reds refuse to return lend-lease ships." Over on the right-hand side was another headline, "Red butchers Black Dahlia."

I had been reading about the Black Dahlia, and when I saw that headline I thought, "Oh, my goodness, what has this Communist done now?"

That is what most anybody would think when they saw a headline like that, Mr. President, is it not?

However, it is a well-known fact that a great many Americans do not read past the headline. They do not have time to. They come home after a hard day's work,

pick up the newspaper, read the headlines, turn over and see what Dick Tracy is doing, and how Li'l Abner is getting along, and it is time to go to bed.

But I try to read the papers to keep up on what is going on in the world; so when I read that headline "'Red' butchers Black Dahlia," I started to read the article. It said:

Police today are searching for Charlie "Red" Johnson, wanted in connection with the murder of the Black Dahlia.

Well, of course, when you read that, it was plain that "Red" was not red; and as it turned out, he did not even murder the Black Dahlia. But the headline had done its dirty work.

Mr. President, misleading headlines are conditioning the American people every day for another war which will mean the end of the world.

Oh, yes, Mr. President, on that same front page, on the back side, on the inside column, down about the middle of the page, was a little article about 4 column-inches, that said, "Russia demobilizes 4,000,000 men."

MISLEADING HEADLINES

I asked those newspaper reporters if their paper could not have put "Russia demobilizes 4,000,000 men" across the front page, and if that would not have been a little more conducive to peace, and then let "'Red' butcher the Black Dahlia" over in the middle some place. They did not have much to say. They could not have much to say, Mr. President, because the American press, either maliciously or for the sake of a little additional circulation based on sensationalism, is getting the American people in a frame of mind something like that of a man who has been sentenced to hang, and has no recourse. He says, "Oh well, it's got to be. Let's hurry up and get it over with."

That is what some people want, Mr. President. If they can get enough people to feel like that, they can lead them on this holy crusade against communism. There will be no enthusiasm for it, of course. People know that another war means the end of everything. They will go because they would rather get it over with than sweat out the headlines, day after day, month after month.

THE HEARST PRESS

Mr. President, for a long period of time, the Hearst press banged away at the idea that we must eventually fight Russia. Finally, Mr. Hearst decided he had the people in the frame of mind to fight his war. So he put this editorial in his newspapers, in the form of a letter to his editors. It had a border around it, on the front page—appropriately enough, a heavy black border. Here is what it had to say:

R. T. VAN ETTISCH,
Managing Editor,
Los Angeles Examiner.

DEAR MR. VAN ETTISCH: Almost everybody knows the evils of communism nowadays.

Almost everybody knows the impudence and the insincerity of Russia.

We no longer have to give so much space to Russia—to the danger to our free institutions from communism, to the probable destructive attack upon our Nation by Russia.

The thing of importance now, is the plan for the protection of our country, particularly the plan of universal military service.

We must awaken the public and the Government to the importance of this plan.

Mr. Hearst feels himself bigger than the Government. He has this to say:

Every American must be a soldier ready at a moment's notice to defend his country and to defend it not merely from invasion but from annihilation.

There will be no time to make soldiers when war comes.

They must be prefabricated.

WILLIAM RANDOLPH HEARST.

Prefabricated soldiers! Imagine, Mr. President, even before we can build prefabricated houses for the heroes of the last war, we are asked to make prefabricated soldiers for the next war.

Immediately the Hearst papers stopped harping so much on the inevitability of fighting Russia, and started an all-out campaign for universal-military training.

Here are two headlines from different editions of the Los Angeles Examiner of October 18, 1947: "Los Angeles Leaders Demand Nation Leaders Prepare Against Red Attack," and "Arms Training Demand Grows."

O, Mr. President, Mr. Hearst can get many people to dance to his music wherever he controls things, especially politicians.

Such propaganda is criminal, Mr. President, and there should be laws to severely punish those who seek to inflame the public mind. I tell you, Mr. President, you cannot beat this Red hunt. They will get you coming and going.

ROYALL WITCH HUNT

I remember when Secretary Royall was up for confirmation. His name fits him well. He is of the elite. He belongs to the upper crust. But this committee found out that Mr. Royall's half sister was married to Johannes Steel. Johannes Steel, as Senators know, is a New York radio commentator—or he was, and he was accused of being pinkish. So the committee had Royall up posthaste. They wanted to know what about this.

"What about this, Mr. Royall? Is it true your sister is married to this pink commentator, Johannes Steel?" Mr. Royall coughed and spluttered and turned as red as Johannes' reputation. He said she was only his half sister, but he had to admit she was married to Johannes. Aha! They had him!

But Mr. Royall tried to wiggle out of it. He protested that it was his sister's privilege to marry anybody she wished. After all, he was not married to Johannes and he was not responsible for his political beliefs.

In fact, he did not know Johannes very well, did not associate with him very much. The truth of the matter was, the last time he had seen him was last Christmas, and that was at a party at his mother's house where the whole family had gotten together to celebrate Christmas. One of the committee members leaned over the table and said, "Well, what kind of man are you, Mr. Royall, that you don't love your brother-in-law?"

So you see you cannot beat them. No, sir, they have got you, Mr. President.

Mr. President, we all know that the Communists generally oppose anything this bipartisan, Wall Street, military clique is for, so if you happen to be against it also you are following the party line and they nail you to the cross. It is getting so, Mr. President, that thousands upon thousands of loyal Americans are afraid to express any opinion at variance with the line laid down by the bipartisan moguls for fear of being called Red or subversive. They are afraid to join the most innocent-appearing organization, like a book club, for fear they will see their names in the paper some day as belonging to a Red-front organization.

CROSS-COUNTRY RIDE

Mr. President, a number of Senators have jokingly asked me how my cross-country horseback ride turned out. I might dwell on that for a moment, because some of the things I discovered on that trip may be enlightening to my fellow Senators. I became convinced about 2 years ago that this bipartisan foreign policy was not all it was supposed to be. I was very hesitant to criticize it, because everybody of any consequence seemed to be for it, and I, like most other people, want to be on the popular side if I possibly can. But the more I studied the matter the more I became convinced that this wonderful bipartisan foreign policy was leading us toward war.

I would just about make up my mind to speak out against it and then I would turn on the radio or pick up a newspaper, and there would be Senator Claghorn saying, "It is no use—sooner or later we will have to fight the Russians." I would think, well, that fellow is pretty smart, who are you to argue with him? You never had much schooling; you were just a show man before you came to the Senate. Where do you get off, criticizing this fellow? So I would get out the books and I would read the history of our relations with Russia for the past two or three decades since the revolution—it is very important to do that—and I would look at the foreign policy with all its ramifications. I have a great many newspaper clippings, and I would look at them. It is possible to obtain information from the newspapers if you read beyond the headlines. I would go over it all again and I would say, "Well, I am right, I do not care what that smart fellow says. This foreign policy is no good." I would make up my mind to speak, and then I would look at the newspaper and Bishop Holier Than Thou would be saying, "We should fight the Russians, there is no other way out of it." I would think, well, that fellow is honest, he ought to know what he is talking about; maybe there is something the matter with your line of reasoning, TAYLOR; maybe you had better look it over. And I would. I guess I did that a half dozen times, and I would come up with the same conclusion that the Russians were not entirely to blame and that our foreign policy certainly had its faults. Finally, I definitely made up my mind that our foreign policy was so bad that I had to actively

oppose it. I realized what the consequences would be—how I would be Red baited and according to the polls, I would have very little popular support, but regardless of that I decided to bow my neck and go ahead.

First, I went to Idaho to talk to the people there so they would not get a second-hand version of what I had to say. I had planned this tour of my home State early last fall, but Mrs. Taylor was taken ill and I had to call it off. However, my secretary was already in Idaho, so I told him to go ahead and take a trip around the State and find out what the people were thinking.

BETTER GO ALONG

He made a thorough canvass of the situation and after 2 or 3 weeks he called me in California, where we had gone for Mrs. Taylor's operation, and he said to me, "Senator, you had better just forget your opposition to the foreign policy. I have been all over the State—the politicians are all for it. They have been reading the Gallup poll. Truman's stock is up." That was last fall, Mr. President. "They have the smell of patronage in their nostrils—foreign policy is sort of abstract—it is way across the ocean. Their advice is that if you cannot go along you had just better keep quiet."

So I said, "All right," and I tried to forget it for a week or so, and then I got to thinking, "well, what is the difference whether you are reelected or not? If we go ahead and get into a war it will be the end of everything anyhow—this is no time to hedge—you had better fight for what you think is right and let the future take care of itself or there may be no future."

So I called some of my friends in Idaho on a Saturday night and asked them to arrange six meetings for me, starting the following Monday, with a meeting in our capital city of Boise.

The only advertising we had was one ad in the newspaper in the nature of an open letter from the Senator to the people of Idaho, in which I said that I had become convinced that our foreign policy was leading us toward war and I wanted to talk it over with them and get their advice and reactions to what I had to say, and what they wanted me to do. With only 1 day's advertising I did not think there would be a hundred people at that meeting, but the Crystal Ballroom of the city's largest hotel was packed and people were turned away.

PEOPLE AGAINST POLICY

After I had finished speaking I put up to the audience the question of whether I should continue fighting our foreign policy. I asked those who wanted me to go ahead and carry the fight against this bipartisan foreign policy as vigorously as possible to stand up.

I cautioned them not to stand if they did not think I should go ahead. They would merely have me work hard for no good reason. I wanted their honest reactions. I estimated that 85 percent of those present stood. I estimated very conservatively because I did not want the local press, which is bitterly anti-Taylor, to be able to say that I had fudged. A

more accurate estimate of those who favored my stand would have been 90 or 95 percent.

But what was even more significant than the rising vote of confidence was the behavior of that representative Idaho crowd after the meeting was over. At most meetings I have held in Idaho in the past, considerable numbers of people would stay to shake hands with the Senator when it was over, but after 10 or 15 minutes a good many of them would become discouraged and leave—but not that night. I shook hands for an hour and those who came up to greet me not only shook my hand but they clung to it and asked God's blessing upon me in the fight that I was undertaking. The people want peace. They realize what war means.

This happened at every meeting in Idaho—bigger crowds than I had ever talked to—and the same fervor was apparent everywhere.

I was astonished. Of course, I was pleased and happy, but it was a revelation to find the totally different attitude displayed by the people as against the attitude of the politicians.

Inasmuch as they had given me a mandate I decided to do what I could to implement it.

PRESS INFLAMMATORY

Observation and experience had shown me that the press was only too willing to give generous publicity to any third-rate administrator or politician who would make an inflammatory statement against Russia.

However, those who spoke out for a policy of trying to get along with the Russians were either called simpletons or "Red sympathizers" in the briefest possible space on the fourth page.

I realized that if I was to get any attention for what I had to say I would have to have some other approach besides the time-honored method of making speeches.

So I decided to ride a horse across the Nation.

I intended to ride from San Francisco to New York originally, but I couldn't get started in time because of Mrs. Taylor's slow recovery, so I moved south to Los Angeles, intending to take the southern route across the Nation to Atlanta.

My reason for riding a horse was simply this: In order to rate attention in the press, a thing must either be sensational, sexy, or represent conflict. Of course, you can get attention if you are an elder statesman, like the senior Senator from Michigan.

Certainly what I had to say in behalf of peace was neither sensational, sexy, or in the nature of a conflict, and I was not an elder statesman but just a comparatively young, unknown Senator.

I decided to ride the horse because that would be sensational.

A Senator riding a horse across the Nation would be out of the ordinary.

It is not every Senator that can get on a horse.

Of course, Mr. Truman called a special session about that time and spoiled the effectiveness of my ride.

"It is a pity, too, when we consider that nothing was accomplished in the special session.

I had planned to make the trip in 3 months or a little longer by having two horses and riding each one a half-day. I flattered myself that I was as tough as two horses.

I thought perhaps I would not get much attention for the first 60 days or 1,500 miles but most of that time would have been spent in the cactus or antelope country anyhow and it was my hope that by the time I reached a more populous section of our country the people would begin to become interested—the press would pick it up—and quite possibly in writing about the Senator who was riding across-country on a horse they would slip in a line or two now and then of what I had to say. I felt strongly about it. I still feel strongly about it.

RODE 275 MILES

As I say, the special session spoiled my plans.

We had to hurry and haul the horses most of the way.

In fact, I was in the saddle for only about 275 miles.

But I did hold a number of meetings, arranged on brief notice, with little advance publicity.

The first one was at the University of Arizona, at Tucson, under the sponsorship of the University International Relations Club, the AVC, and United World Federalists.

We had a crowd of over a thousand on the university campus in a large hall there—students, townspeople, and faculty members.

When I finished talking, I told the listeners that it was the first talk on this subject I had made outside my home State.

I wanted to know how they felt about what I had said—whether they felt I should continue trying to arouse the people against our bipartisan foreign policy. I told them that if no one was interested, I was wasting my breath. I was convinced that we were heading toward the end of everything, and if they wanted to do nothing about it, I would go out and play golf until we were all blown up.

I asked the vice president of the university what percentage of the people were standing, and he said, "Well, at least 95 percent."

After the meeting I again had to stay to shake hands with great numbers of people, most of whom said, "Senator, we agree with you and we want to help. What can we do?"

I was at a loss.

I had to say, "Well, I do not know that there is anything you can do. Both parties are for this foreign policy. There is no way for you to express your opposition at the polls. About the only thing you can do is to write a letter to your Congressman."

Some of them had had experience writing to Congressmen before and were not very enthusiastic about it.

But that was all I had to offer at that time.

I held several other meetings in El Paso; Fort Worth; Austin; Norris, Tenn.; Oak Ridge, Tenn.; and Washington, D. C.

In El Paso we met in a Y. M. C. A. meeting room seating approximately 350 people. Friends had arranged the meeting on short notice. I sent them no money. They were folks who believed as I did. They got busy. They said, "If we have 50 people present it will be good." The audience came up to the meeting room on an old, decrepit elevator, and the room was packed.

I looked forward to the meeting in Norris, Tenn., partly because of my admiration for Senator Norris and because I thought this would be a very good meeting, since it would be attended by people at Norris working for the TVA.

I thought they should be quite liberal in their political leanings.

At the close of that meeting I again asked those who agreed with my criticism of our foreign policy, if they wanted me to continue my fight against it, to stand.

The chairman said there was just a little over 50 percent standing, and he was right.

After what had happened at my previous meetings, with 90 percent and 95 percent urging me on, I was somewhat surprised.

I thought perhaps I knew the reason for this poor showing, and my suspicions were confirmed.

PEOPLE AFRAID

After the meeting, when my listeners came up to shake hands with me, nearly everyone of them moved in close as they passed by and said, in a whisper, "Senator, you would have had 90 percent or 95 percent—or maybe 100 percent—standing here tonight, but we all work for the Government and we are being investigated."

Mr. President, that is a sad commentary on the state of affairs in America.

I never thought I would live to see the day in this supposedly free country when people would be afraid to stand up and be counted for the things in which they believe.

Mind you, Mr. President, I had not asked them if they thought we ought to have a revolution.

All I was doing was criticizing our sacred bipartisan foreign policy.

All this, of course, is a result of the vicious witch hunt and smear technique that our native fascists have lifted from the files of Herr Goebbels.

In Oak Ridge, Tenn., I spoke to the atomic scientists and excused them from any expression of opinion.

I told them what had happened at Norris and said "if those people at Norris who work for the TVA are under such pressure one can only imagine what a strain you are under here at Oak Ridge."

So I did not ask them to stand.

I got a considerable round of cynical laughter and excellent applause.

However, in Washington I had an experience that compensated for the sad state of affairs existing at Oak Ridge and Norris.

I rode in from Mount Vernon horseback. Everyone was very cooperative. Those in charge cleared the Mall for me. That was not necessary. I could steer a horse in the midst of pedestrians. We arranged a meeting at the Interior Auditorium.

It was on a Sunday night.

Everyone said it would be impossible to get a crowd on that night and besides Senators were a dime a dozen in Washington.

The auditorium was packed and they turned a great many people away.

And, in ending the meeting, I told them what had occurred at Norris and that I had excused the audience from voting at Oak Ridge.

I said that I realized that probably more than half of my listeners were Government employees and that although I would like to know how they felt I could not put them on the spot by asking a rising vote.

They laughed and applauded and then somebody jumped up and the whole audience, without one exception, stood and gave me one of the finest ovations I have ever received.

That convinced me that the American people were ready to fight against these attacks on their civil liberties; their constitutional privilege of saying and thinking what they please; that they were eager and anxious to boot out the bipartisan war-policy makers—if only they had fearless leadership.

Later, I found out there were five FBI agents in the hall that evening busily spotting those who came to hear me as I spoke not to urge violence against our Government, but in criticism of this dastardly bipartisan foreign policy.

Mr. President, this is America—1948 style, Mr. President—but we are going to change all that in November.

I have recited this brief account of my cross-country trip to document my contention that the American people are living in fear not so much of Russia but of their own Government.

Anyone who dares oppose this thing that has become a one-party state—at least insofar as foreign affairs are concerned—anyone opposing this, gravely jeopardizes his political future, and any person who works for wages in or out of the Government runs a grave risk of losing his job, and indeed, his opportunity to earn a living at all.

Thank goodness we still have a secret gallot in America and, unless a crisis is provoked and that last freedom taken away from us before November, the people are going to speak with a voice so loud that it will shatter the glass houses of those who profess to believe in freedom for all people, but who would deny it to our citizens here at home.

COMMUNIST STRENGTH

While we are on this question of the Red hunt that is trying to scare people out of their wits with the Communist bugaboo, I would like to read into the RECORD some figures on communistic strength in this country:

In 1928, just at the close of the so-called "golden twenties," the Communist vote in America was one-eighth of 1 percent of the total vote cast.

In 1932, when we were in the very depths of despair, the Communist vote rose to the very dangerous figure of one-fourth of 1 percent.

In 1936 conditions had improved somewhat and the Communist strength receded to one-sixth of 1 percent.

By 1940, people were eating more or less regularly and the Communists lost still more ground and their vote was one-eleventh of 1 percent.

This graphically illustrates the fact that communism only thrives, if you can call the one-fourth of 1 percent that they received in 1932 thriving, when people are hungry—unemployed—or otherwise dissatisfied.

Mr. President, all this Red scare is designed solely for the purpose of preventing criticism of this bipartisan foreign policy, the real purpose of which is to keep generals employed and pass out juicy plums for a continuing armament program to the vested interests of America, and of course to protect the foreign investments of our cartel monopolies.

That was admitted by two very distinguished Senators on the floor of the Senate just before I started speaking.

As I said in a radio address the other evening, Mr. President, when the big steel companies raised their prices they did more to disillusion the honest common people of America, they did more to aid the cause of communism than all the efforts of all our Communists throughout all the years.

I shall discuss the question of how the American people are being bullied and coerced by investigating committees and our native gestapo at greater length at some future time.

RUSSIA HAS REASON TO BE SUSPICIOUS

Now, to get back to our relations with Russia. To understand how the Russians might feel toward us—toward the rest of the world for that matter—it is necessary to review briefly what has transpired between the western powers and Russia since the days of their revolution.

They had a revolution.

Of course, I guess everybody knows that we had a revolution, too, Mr. President.

Not so long ago—only yesterday in the perspective of history.

We fought against tyranny and economic oppression.

We were called Communists and the statesmen of older, established governments pointed with alarm to our radicalism.

The Russians revolted against the tyranny of the Czar.

He was in the habit of passing out juicy concessions to his friends in England and France who came in and exploited the Russian people mercilessly.

The nobles had a pleasant custom of taking the virgin daughters of peasants on their estates to help entertain their distinguished guests.

If ever a people were ground down and oppressed, the Russians were.

The church in Russia aided and abetted this un-Christian state of affairs.

It was not a church as we think of churches, Mr. President, rather it was part of the Czar's machinery for keeping the people in ignorance and subjection.

So, naturally, when the Russians overthrew the Czar they also kicked out the corrupt clergy.

This, of course, gave the western world a great opportunity to holler about the godless Bolsheviks.

Their real reasons, of course, were that they were losing their lucrative concessions, their sources of raw materials, and cheap labor.

But, nevertheless, the Russian people went ahead with their house cleaning.

They were called all sorts of vile names—just as we were cursed when we rose up under the leadership of George Washington to assert our rights and throw off our shackles—but the rest of the world did not stop with calling the Russians names.

OUR INTERVENTION IN RUSSIA

Armies of 14 nations invaded Russia.

We helped rearm the recently defeated Germans so they could send an army into Russia. The British and French made an agreement to divide the rich Crimea and the oil-rich Caucasus between them and they sent armies into Russia to try and overthrow the revolution.

We sent an army into Russia.

Of course, Congress did not authorize it but then, as now, the Army had just finished a victorious war and did not bother with a little thing like asking Congress.

They just sent the soldiers in to fight the Russians on one pretext or another.

Albeit, to their everlasting credit, some of the generals and many of the soldiers did not like the idea and raised considerable fuss about it; but, if I remember correctly, it remained for Senator Borah finally to call the matter to the attention of Congress so forcefully that our Army of intervention was withdrawn.

Then, as now, the American people had contributed generously to feed the hungry peoples of Europe.

Herbert Hoover subverted large quantities of that food to help feed the armies of intervention.

But, in spite of all this interference, the outside world failed to break the spirit of the Russian people and finally the invaders had to withdraw.

TERRITORY TAKEN FROM RUSSIA

Of course, in the process they did take large slices of Russian territory in which so-called free governments were set up as a cordon sanitaire around Russia.

I want to make the flat statement right here and now that not one of those governments was a whit more democratic than the government the Russians set up, and the common people generally fared worse economically than they would have under Russian rule.

The one exception was Finland.

Their General Mannerheim, a Swedish nobleman, trained by the Germans, came into power.

Of course, he had to line up some 20,000 women, men, and children, and shoot them down in order to establish democracy—but he did it—and the Finns had a pretty good government, according to western standards.

Now, Mr. President, there has been a great deal of fuss because the Russians have reabsorbed the territories that were taken away from them.

Might I ask this question:

Suppose the Japs had whipped us in this recent war.

Suppose they had taken Oregon, Washington, and California away from us and set them up as jumping-off places in case they wanted to fight us again; that they had made each of those States an independent sovereign nation with a government acceptable to the Japanese.

Mr. President, what do you think we would do under those circumstances the first time the opportunity presented?

If I know the American people, I think we would take Washington, Oregon, and California back into the Union.

But some people will say, "The Lithuanians, the people of Latvia, and all of those other hapless people did not want to be taken back by the Russians."

I wonder if California, Oregon, and Washington would want to come back into the United States after they had enjoyed sovereignty for 20 years or so.

The first thing the Japs would have done would have been to purge the history books in order to make us appear as the terrible exploiters of the Pacific coast, and in each of these sovereign States there would be a full complement of Federal office holders, a president of California, a senate of California, a congress of California, a supreme court of California, cabinet officials, a judiciary; all the Federal bureaucrats whose livelihood and way of life would depend on the continuing independence of California.

Can you not hear the speeches that would ring out in the capitol of that great and sovereign nation if they were threatened by aggression from the imperialist United States pushing from the east?

I will wager that they would have hollered, "Help Japan. Help Germany. We are about to be taken over. The big, bad United States is invading us, and is going to destroy our Japanese democracy. Save our Japanese democracy."

PLOTS AGAINST RUSSIA

Now, Mr. President, whether that is a fair analogy or not, the fact remains that the Russians did reabsorb these territories.

After the treatment the Russians received during that trying period at the hands of the rest of the world, is it not conceivable that they have a right to be suspicious?

If you were a Russian, Mr. President, do you not think you would be a little mistrustful of the good intentions of capitalist countries?

The plots and schemes that were hatched against the Russians in the years between the two World Wars were many and fantastic.

High government officials were bribed to participate and subverted with promises of power when the Russian Government was overthrown.

Fabulous amounts of money were poured into these plots by the governments and individual capitalists of the outside world. They wanted then, and they still want to overthrow the Russian Government so they can exploit the vast resources of that rich country for private gain.

Many generals of the Red army were bribed to turn traitor and give military information, aid, and assistance to the capitalist powers.

Mr. President, if we had gone through what the Russians have had to suffer in the way of intervention and fifth-column activities, we would have reason indeed to be suspicious.

The Russians are suspicious and mistrusting, and I believe they have a right to be.

The same people—Wall Street and the military—are in power in America today that were jointly responsible for the sabotage of Russia's economic plans and the plots against her sovereignty, and in addition they have the atomic bomb.

At present we are busily engaged in rounding up every displaced monarch, every person of any stature who could possibly be useful in forming governments in exile.

I want to give sanctuary to the oppressed and the exiled, but we are openly financing and publicizing these outs with the avowed intention of using them for further fifth-column activity.

Now, let us review Russia's record between wars.

Have they behaved in those years like people who want chaos in the world?

Did they behave like people who wanted wars in the hope that they might spread their doctrines in the confusion that inevitably follows war?

Is that the way they behaved in 1933?

Litvinoff, at the League of Nations at Geneva, urgently proposed that the world disarm.

Did we take him up on the proposition?

Nobody paid any attention to him. He was called That Bolshevik, Litvinoff.

Who protested most vehemently over the invasion of Ethiopia and when Czechoslovakia was invaded? The Russians offered to fight if the western world would help, but again they were given the cold shoulder.

When they asked for military consultation with a view to stopping Hitler the western powers sent underlings to engage in conversations with them.

Finally, the Russians signed a non-aggression pact with Hitler.

The apologists for Russia contend that there was nothing else they could do under the circumstances.

They realized that they would inevitably have to fight Hitler—probably alone.

They were stalling for time.

Mr. President, I believe that our recent publication of secret documents was the most senseless piece of war-mongering one can possibly imagine.

With relations already severely strained, I can reach no other conclusion than that they were published with the diabolical purpose of increasing the tension and conditioning our people for war.

However, even those documents, which were so evidently intended to inflame our people and help the bipartisan schemes get this bill through Congress, disclosed that Hitler's last bitter complaint before he invaded Russia was that Stalin had double-crossed him, had not lived up to the pact, and had used that time to build his defenses against Germany.

The Russia haters say that the pact was indefensible—a dirty, low-down, yellow-dog-hound-pup trick.

I am not arguing the point.

You can take your choice.

At any rate, they fought fairly well, and shortly we found ourselves fighting as their allies.

ERA OF GOOD WILL

Roosevelt had started an era of good feeling between us by recognizing the Russians in 1933.

The bond of friendship between us continued to grow and expand until the time of Roosevelt's death.

Mr. President, a double tragedy struck the people of the United States and the world on April 12, 1945.

President Roosevelt died and Harry Truman became President of the United States.

Up until that moment, our relations with Russia had been improving.

I have a graph which I clipped from a newspaper showing how the line went up and up.

In fact, it went up until Potsdam.

That is where Mr. Truman first met with Stalin.

From there on the line descends to the vanishing point in the lower right-hand corner.

Is there any wonder, Mr. President? Here is a man charged with the responsibility of guiding our foreign affairs. The only hope of keeping peace in the world is to find some way to get along with the Russians. Is it any wonder that he has failed to get along with the Russians? When Hitler invaded Russia, Mr. Truman was then a Senator, and he is reported by the New York Times to have said, "If we see that Germany is winning we ought to help Russia and if Russia is winning we ought to help Germany. In that way, let them kill as many as possible."

If you were a Russian—Joe Stalin—or any Russian—would you have much confidence in the good intentions of a man who had made such an intemperate, blood-thirsty statement?

I am afraid we are laboring under an insurmountable handicap in this field.

BEGINNING OF MISUNDERSTANDING

It seems that the real beginning of our misunderstanding was when the Russians engineered a coup in Rumania and the Communists took over. But, Mr. President, why put all the blame for this on the Russians?

In his book, *Speaking Frankly*, Mr. Byrnes has this to say:

In the fall of 1944, Churchill and his Foreign Minister, Anthony Eden, had visited Moscow and, while there was no formal agreement, we knew they had reached the informal understanding that, if the British found it necessary to take military action to quell internal disorders in Greece, the Soviets would not interfere. In return, the British would recognize the right of the Soviets to take the lead in maintaining order in Rumania.

No wonder the British hesitated to protest later, when we asked them to do so, when the Russians started fixing things up to their liking in Rumania.

After all, the Russians were acting under an agreement which the British had suggested.

Let us see what Cordell Hull has to say in his book about this arrangement. I quote from chapter 30:

When the Russian Army began to push into Rumania, in April 1944, the relationship

between the Soviet Union and the Balkans came to the forefront of our diplomacy. Suddenly British Ambassador Halifax inquired of me on May 30, 1944, how this Government would feel about an arrangement between the British and Russians whereby Russia could have controlling influence in Rumania and Britain a controlling influence in Greece.

He handed me a written communication from his Government asking whether we had any objection to an agreement between Britain and Russia whereby, in the main, Rumania affairs should be the concern of the Soviet Government and Greek affairs the concern of the United Kingdom.

Mr. Hull says he objected to any such agreement because he did not believe spheres of influence would be conducive to peace.

However, Mr. Churchill was persistent.

In speaking of Churchill's further efforts in this direction, Mr. Hull goes on to say:

It seemed reasonable to him (meaning the Prime Minister) that the Russians should deal with the Rumanians and Bulgarians and that Britain should deal with the Greeks, who were in Britain's theater of operations, were Britain's old allies and for whom Britain had sacrificed 40,000 men in 1941. The same, he added, was true of Yugoslavia.

I quote further from Mr. Hull's memoirs:

This telegram was important in that it brought in two countries not hitherto mentioned by the British—Bulgaria to be dealt with by Russia, and Yugoslavia to be dealt with by Britain.

When we read further, Mr. President, we find that this arrangement was agreed to.

The only fly in the ointment was that Yugoslavia refused to behave and broke their ties with Britain by setting up a government of their own choosing.

It is really too bad that the Yugoslavs were so short-sighted, Mr. President. Otherwise they might now be enjoying under King Peter all the aid and comfort that we have given to Greece. It is disturbing.

But a further aspect of the matter is this: Mr. Churchill did not consult us prior to the time he approached the Russians.

This is brought out where Mr. Hull tells of writing a letter to the President about the matter.

I sent him (meaning the President) a letter on June 17, in which I pointed out that Mr. Churchill openly applied his proposition to the entire Balkan region by mentioning Bulgaria and Yugoslavia, in addition to Rumania and Greece, and that he advanced our position in South America as an analogy.

You see, Mr. President, even our good friend, Winston Churchill, does not hesitate to call attention to the fact that we dominate our neighbors—so why should not other people?

But to return to Secretary Hull's story:

I also called attention to what I termed an "extremely disturbing aspect of this matter," namely, that the British had not discussed a proposal of this nature with us until after it had been put up to the Russians and the latter inquired whether we had been consulted.

So, you see, the Russians were better behaved than the British. They insisted on living up to their agreement by making certain before they made any deals

with wily old Churchill, that we had been consulted. At that time, at least, Mr. President, the Russians were not the double-crossers we have since been led to believe they are.

A NO-GOOD FOREIGN POLICY

Mr. President, I think everyone will agree that a foreign policy should be good for something. I contend that our foreign policy is good for nothing. If we want war, if we want to fight the Russians, then our foreign policy should make friends of every possible nation which might be of help to us in such a struggle. If we want peace, then our foreign policy should be aimed at the goal of getting along with the Russians. I contend that it has done neither of these things. We have alienated the Russians, and we are busily engaged in making enemies of people all over the world.

Just suppose we want to fight the Russians or that we are convinced that war with Russia is inevitable. We should be making friends all around the world, should we not? And, when I say making friends, I mean making friends of the common people, because cardboard governments, bolstered up with our dollars and arms would be of little use in any conflict unless the people were behind the governments and friendly toward us.

TRIP AROUND THE WORLD—THE PHILIPPINES

Let us take a quick trip around the world and see what goes on.

We shall head west to the Philippines.

If anybody is going to be our friend and ally, it should be the Philippines. Did not we give them their independence? Did not we save them from those awful Spaniards? Have not we generously purchased their sugar and hemp? Yes; the Philippines should be our friends. I am sorry to say, Mr. President, that the picture is not quite that rosy.

We took the Philippines from the Spaniards, but we left the same feudal exploiters in control. But, you say, did not we give them their independence? That is right; but before we permitted them to embark upon the seas of international strife as a sovereign nation, we made them rewrite their constitution. They had prepared a constitution in anticipation of that great day. They doubtless thought it was a good constitution. But it had a provision in it saying that no foreigner could own more than 49 percent of any business in the Philippines.

They did not mind being helped by outside capital, but they did not want to be exploited; so they wrote that provision in their constitution.

Did we wish them luck in seeking economic self-rule, as well as political freedom? No, Mr. President; instead, we said, "Look here, you Filipinos, we have done a lot for you. We do not mind your keeping out other exploiters and promoters, but an American businessman can do anything he pleases in the Philippines, understand? If you want your freedom, change that constitution * * * that provision does not apply to Americans."

So the Filipinos changed their constitution.

I wonder how we would have felt, Mr. President, if some great power had told those men who wrote our Constitution—Madison, Jefferson, Adams, and the rest—what to put in it. I wonder if they would have liked it? I do not believe so.

The plain fact of the matter is the Filipinos did not like it, either. They still do not like it. But they had to take it.

We also made them let us keep military bases in the midst of their new-found sovereignty. We could occupy their islands in a few brief days. What kind of sovereignty is that? But they accepted that, too.

Then, we got behind a man we wanted to be their President. We like to have friendly governments in our sphere of influence, too, Mr. President. Did we select a great Filipino patriot, a man whose record was above reproach? I am sorry to say we threw our influence behind a gentleman by the name of Roxas, an evil opportunist who collaborated with the Japanese. Of course, that is not surprising, in view of the fact that we are supporting Hitler's henchmen in Greece.

So, the Filipinos were free; but some of them did not like this arrangement. Some of them, the common people, the same type of people that composed Washington's army in the main, decided to fight Roxas. They wanted real freedom. They wanted to break up the great estates, so the little people could have land. They wanted a loyal Filipino for their President, and not a Japanese collaborator. These little people were called the Hukbalahups. They are the same patriots who sneaked from the jungle to give aid and comfort to our boys on the long march from Bataan. They are the same little people who carried our downed flyers out of the jungles, over tortuous mountain trails, on stretchers. They are the same people who carried on guerrilla warfare against the Japanese—shoulder to shoulder, side by side with our own boys who succeeded in escaping or eluding the Japs.

What has happened to these Filipinos, equivalents of our patriots at Valley Forge? Roxas is using our machine guns to hunt them down and destroy them.

What justification does Jap collaborator Roxas put forward for his slaughter of these people? Mr. President, he is using the same excuse that Hitler used to torture and cremate people, the same pretext that is being used here in America to silence opposition to this present betrayal of the American people to the monopolist crowd. Roxas says that anybody who opposes him is a Red. In yesterday's newspapers he admitted he had no proof that they were Communists, but that they were saying they were determined to resist until Russia should one day rescue them.

I am afraid, Mr. President, that by our actions in aiding Fascist-type rulers of colonial peoples we are fast losing, perhaps have lost, the high place we once occupied as the champion of the oppressed, the haven of the downtrodden.

We have handed this priceless asset to the Russians. The good will of the little people is a power greater than dollars or guns or even atom bombs in any war, Mr. President, any war, cold or hot.

When I made these statements about the Philippines at the University of Arizona, at Tucson, someone applauded vigorously and I thought, "Who is so interested in the Philippines here in Arizona?" After the meeting a young Filipino who was a student there came up to me, and with tears in his eyes, blessed me for telling the truth about what was happening to his people. No, Mr. President; I am afraid the Filipinos might not help us if we get into a war with Russia. We would probably have another government in exile on our hands to add to the gala collection we are accumulating here in Washington.

JAPAN

Now, what is going on in Japan? Those people were terribly oppressed, and we were going to free them, we were going to destroy the Zaibatsu, the few big families that had a tight cartel control of Japanese industry. From all I can find out, things have not changed much in Japan. We have made some half-hearted efforts, but even those feeble attempts have been severely criticized on the floor of the Senate. Now we have set out to rebuild Japan as a great military power to help us against Russia. Maybe it will work, but I would not count too heavily upon the support of the Japanese people in the event of war against Russia.

KOREA

Let us go to Korea. From all I can find out, the common people in the Russian zone are faring much better and are more contented than their brothers in the southern zone, which we are occupying. I am sorry to say that, but that is what I hear.

We have left the power in the hands of the same reactionary exploiters who held the people in bondage during the long years of Japanese rule. We are sitting on a powder keg over there by force of arms. Of course, we do not need to worry much about them. They would not amount to much in a war with Russia. Twenty million downtrodden people—a bagatelle!

CHINA

What have we done in China? There is Chiang Kai-shek, whose most ardent friends affectionately call him a "benevolent dictator." It seems that in their eyes a dictator can be benevolent or a tyrant, depending which side of the fence he may be on at the moment. My opinion of Chiang Kai-shek cannot be stated in full on the floor of the Senate, but from people who have been there, from books I have read—yes, and even from reading the press—I am convinced that Chiang is one of the most ruthless tyrants the world has ever known, corrupt, greedy, brutal, and without an ounce of patriotism insofar as seeking the welfare of the people of China is concerned.

I am also convinced that the so-called Communists of China are rather mild Socialists with a program of agrarian reform; that they make a sincere effort at honest government in the areas they hold, and that they have the confidence of the Chinese people. Secretary Marshall and others have repeatedly stated up until very recently at least, that they have received no appreciable direct aid

from Russia. It is a civil war, and it has been going on for almost 20 years, with not even time out for the big war. Nevertheless, we gave Chiang Kai-Shek billions of dollars in cash and in the form of armaments. However, his regime is so corrupt the people have so little confidence in Chiang and the robber barons who surround him, that they will not support the war effort, and his soldiers do as little fighting as they possibly can. Chiang's outfit is so corrupt they even sell to the Communists the armaments we provide them. We made the so-called Communists angry with us because we helped Chiang; now we have made Chiang angry because we quit helping him, so all the Chinamen are mad at us. Chiang is threatening to go over to Russia if we do not give him more help, which only goes to prove that you cannot buy friends, and after you think you have bought them they will not stay bought.

The Chinese mess is one of the most unworthy adventures upon which this Nation has ever embarked. By the aid we have given Chiang Kai-Shek we have betrayed every principle in which we profess to believe. I shall have more to say about China at some length when our Republican friends bring forth their contribution to the great give-away in the form of aid to China.

I am sorry to say it, Mr. President, but I do not believe that even the Chinese under Chiang Kai-Shek have any reason to love us after the misery and suffering we have been so largely instrumental in inflicting upon them. I am convinced they would see us rot before they would raise a hand to help us in any conflict, no matter who our enemy might be. Every day there are reports in the press of riots by students, of demonstrations against the United States all over China.

INDOCHINA

Let us go on down to Indochina. Its good people also shared with us the greatest of all virtues, the love of freedom. They have been exploited by the French since 1870. When the Japs chased the Frenchmen out, they continued the exploitation of the hapless Indochinese, but when the Japs were finally defeated, the Indochinese thought they were at last free. The Japs were done and surely the Frenchmen could not come back after what Adolf Hitler had done to them, so the Indochinese set up a government and started in business for themselves. But the Frenchmen did come back and they had plenty of guns, ammunition, and all kinds of modern war equipment. Where did they get? Captured from Adolf Hitler's defeated legions, no doubt. I wish that were true, Mr. President, but it is not. The French had American guns, and they are using those guns mercilessly to annihilate all opposition and to reenslave the Indochinese. Do you think, Mr. President, those people would help us in a war with Russia? Any person who knows anything at all about human emotions does not need an answer to that question.

INDONESIA

Let us go across the water to Indonesia, a group of islands containing several mil-

lion energetic, intelligent, and, worse luck again, liberty-loving people. After countless years of enslavement at the hands of clever Dutch exploiters, these people also thought they were free when the Japs gave up the ghost.

However, the Dutch reappeared on the scene and after considerable fighting, they decided the Indonesians were too much for them, slapped them on the back, figuratively speaking, and said, "You are good fellows. You licked us fair and square. We are going home now. More power to you and good luck with your new-found freedom."

The Indonesians were very happy.

However, their happiness was short-lived.

The Dutchmen came back. They came back with the blitzkrieg technique. They had Patton's tactics and Patton's armaments which we had provided them. They went through the poor Indonesians like a hot knife through butter.

After they had the situation well in hand, we decided to let the United Nations step in, which resulted in the freedom of the Indonesians being severely circumscribed, and the Dutch once more are firmly ensconced in Indonesia.

I cannot bring myself to believe that those people would be very enthusiastic about helping us in any war.

INDIA

What about India?

We have never done anything to them.

Of course, we all remember that when they were having their terrible communal riots not so long ago the newspapers carried headlines saying that our businessmen were all set to flee the country by airplane.

The press told the reason why, also.

It seems that the representatives of our big business were in the habit of living lavishly—luxurious quarters, retinues of Hindo servants.

They lived like rajahs, while out in the streets men, women, and children in untold numbers quietly laid down to die of starvation.

So, to say the least, the Hindus do not love us.

They are not much as fighters, anyhow—they never get enough to eat.

They might not help the Russians, but they would not be much of an obstacle if the Russians set out for the Indian Ocean.

We can pass up Africa.

Everything is not so happy and harmonious there as it might be, but we are not too deeply involved, and the war potential of the dark continent is not much to brag about.

ARABIA

We now come to Arabia.

The situation there is one of the blackest in all our involvements.

OIL

There is a large quantity of oil in Arabia, and we have it.

Of course, when I say "We," I do not mean us; I mean Standard and Texaco.

Our oil companies have working agreements with old Ibn Saud to exploit the oil in Arabia.

They pay him a nominal sum in the way of royalties.

I think I read somewhere that it amounted to two-hundred-and-seventy-odd-million dollars for a 2-year period.

Of course, that is not much, considering what the boys are getting, but it is a lot for old Ibn Saud.

He does not have to divide up with anyone.

He is an absolute monarch and runs the show all by himself.

But he is nobody's fool, Mr. President.

In addition to his oil royalties, he insists on a little extra help from the United States Government, or he will not play ball with the oil companies.

In other words, the taxpayers of America have to "cough up" additional millions to get him in the right humor to play ball with the oil companies.

Old Ibn-Saud wanted the Reconstruction Finance Corporation to furnish the money to build him a railroad.

He did not have a railroad—not one. He had never ridden on a train and he wanted to see what it was like.

Our boys told him that "railroads are awfully expensive so we would be glad to build you a little railroad around your palace grounds to joy-ride on." If he really wanted roads that went someplace, why not highways? They are much cheaper.

But Ibn-Saud was adamant. He wanted a railroad and nothing else would do.

So the Export-Import Bank "coughed up" \$50,000 of the taxpayers hard-earned cash as a starter to survey a railroad for Ibn-Saud.

But really, Mr. President, he did have an excellent reason for wanting a railroad.

He has a summer place in the mountains and a winter place on the coast. He has a harem at each place, and Ibn is old and time is fleeting.

He wanted the railroad so he could get back and forth from one harem to the other without any delay.

May Allah bless old Ibn-Saud.

PALESTINE

Palestine is nearby. Perhaps it would be best if we did not mention Palestine but it is really quite important, Mr. President. It is not because of the numbers of people involved.

There are not so very many Jews in Palestine.

But Palestine has become a symbol to the world, a symbol of the lack of sincerity on the part of America's bipartisan foreign policy moguls—proof positive that they do not have and never did have a genuine interest in the fate of the United Nations.

Our country was a party to the United Nations agreement calling for the partition of Palestine.

Of course, our politicians did not take into account what might be the consequences of a decision to partition Palestine.

They had their eyes on the more immediate goal of trying to win the Jewish vote in America, so they blindly voted for partition.

That pulled the cork out of the magic bottle, and the Arabian genie rose up and towered above the politicians and frightened them with dire threats of

what they would do to their oil if they did not call off this Palestine partition.

It seems, Mr. President, that there is nothing that rends the soul of a politician so sadly as to be forced with a choice of choosing between oil and votes, because the oil boys furnish the grease which oils the wheels of political campaigns, but if you play ball with them you are liable to loose the Jewish vote.

A terrible dilemma, is it not, Mr. President?

It is something Pendergast never foresaw and therefore failed to give advice to cover the situation.

The bipartisan boys on the Republican side are also in the same fix.

To further confuse the situation, a Wall Street banker is in charge of the armed services, and he says the armed services must have the oil.

What to do—oil or votes?

But regardless of what eventually may happen, it is plain for everyone to see that the bipartisan politicians do not and never did care anything about the United Nations.

Oil is all mixed up in the Marshall plan, too, Mr. President.

We wish to wean the Europeans away from coal of which they have plenty and start them on a diet of oil.

Of course, when they once get to using oil it will be difficult to convert back to coal, and our boys have the oil there in the Middle East.

None of it comes to this country to be sure. But with a little help from the Marshall plan—just a few hundred million dollars, or maybe a billion dollars, or two or three—they can build up markets for the Middle East oil in Europe.

Of course, this argument that we must have the oil never did hold water, because if we should get into this much-talked-about war with Russia it would not take them long to overrun the Middle East and its oil fields.

It does cost the American taxpayers several billion dollars a year to defend the holdings of our oily boys over there, but then they make a lot of profits and we must help American business.

The funny part of this whole business, Mr. President, is that we do not need that oil. Processes have been developed to extract oil from coal. After the oil is extracted the coal is just as good and better than it ever was; it is smokeless.

The coal should be sold for enough to pay for the oil operation and we would practically have the oil for nothing.

There is enough coal in my State of Idaho to furnish our petroleum needs into the unforeseeable future.

But we cannot develop those resources, Mr. President, because the oil companies have not got all the patents corralled yet and they do not want to develop something where strangers might muscle in.

I might say that the new administration that will take over next January will develop these domestic oil resources and not for the benefit of the big oil companies as has been suggested, but for the benefit of the American people.

Right at this moment I do not believe the Arabians love us, and I have heard that the Jews are not too happy with our double dealing, either.

ITALY

Now let us skip Greece and Turkey.

I shall come back to them later.

Let us go to Italy.

How are we getting along there?

It is the same old story—trying to support the government of our choice with dollars, loud talk, and a show of military strength, or, more accurately, naval strength.

Recently the De Gasperi government had to ask us, would we please, pretty please, get all those battleships out of Italian ports, just until after the election because the Italian people had a little pride. They liked to kid themselves that they were running their own affairs and our battleships, cluttering up their harbors might jeopardize the chances of our boys in the coming election.

Oh, Mr. President, how the atomic bomb has gone to our head.

The atomic bomb and this new idea that has infected even our dear Republican friends, that we can spend billions and billions and billions any place and every place forever and ever, I guess, to fight communism.

SPAIN

We do not have to worry about Spain. Franco will be on our side. He likes the way this bipartisan gang is running things, and the hints are getting stronger in the press every day, Mr. President, that we will soon be helping dear, old Franco. We helped him once before by refusing aid to the legally constituted Republican Government of Spain. Of course, that was when fascism went out of style for a few years. However, it seems as if the new look in international affairs is to have a distinct Fascist flare.

FRANCE

We are having some trouble in France. It seems that every measure the government undertakes is designed to increase the hardships of the workers. The workers of France are in a terrible condition, and they had some bad strikes last winter. From what I read in the papers, Communists led all those strikes.

If one believed everything he read in the papers, Mr. President, he would think the Communists were the only people on earth who were interested in the welfare of the workers at all. I do not believe everything I read in the papers.

All the Communists I know, I could probably count on one hand, but I know literally thousands of Americans who are genuinely interested in the welfare of the little people—the workers.

If the press does not quit giving credit to the Communists for every measure in behalf of the common people—price control, rent control, the demand for housing legislation, the fight for a sensible foreign policy, the people will begin to believe there is something in communism.

In Idaho recently the City Council of Twin Falls, in a county which has been Republican since before the beginning of time, passed an ordinance raising the percentage of the "take" from the slot-machine operators. I saw a big headline in the newspaper stating that the slot-machine operators said the councilmen were all Communists. I repeat, if the press does not quit giving credit to the Communists for being the only

fighters for these measures, the people are going to begin to believe it one of these days and then we might get communism.

But I am getting away from France. They devaluated their currency recently and threw a monkey wrench into the international monetary agreements. If the Russians had done a thing like that, it would have been good for headlines for at least a week.

In fact, the Russians did devalue their rubles, but they were not in on the international monetary agreements so it was really nobody's business, but I remember now it was good for headlines for 2 weeks. But we passed over the French episode without much notice because our friends are in power in France at the moment—even though the Frenchmen broke their word by their action.

From what I read in the papers it seems we are having quite an argument with the French at the present time because we want to build up Germany and they do not want Germany built up. But they will come around to our way of thinking.

They have got their arm in the Marshall grab bag and we have got the draw string pulled tight and will not let them get their hand-out until they promise to be good and let us build up their old friend, Germany.

I do not know what the Frenchmen would do if there were another war.

They would probably have a war of their own right at home and not join in the main bout.

GERMANY

Now we come to Germany.

I shall not stay on that subject too long because I expect to make a speech about it in a few days.

Suffice to say that we are doing exactly what we did after World War I—instead of dismantling any large number of German plants and turning them over to the people they devastated, we are breaking our word and going to leave them in Germany where our cartel boys can build them up with the help of their old friends who so recently were helping Adolf.

Mr. KNOWLAND. Mr. President, will the Senator yield for a question?

Mr. TAYLOR. I yield.

Mr. KNOWLAND. I should like to say to the Senator from Idaho that I have been in attendance on the session of the Senate all afternoon.

Mr. TAYLOR. I appreciate that.

Mr. KNOWLAND. I have carefully followed the Senator's speech with the exception of periods of a few brief moments when I was called from the floor on a few occasions. Aside from those periods I have been present on the floor of the Senate all afternoon. As I have listened to the Senator from Idaho, the sum total of his speech up to the moment has been that he is critical of the United States Government, he is critical of the United States foreign policies, he is critical of the American economic system, and he has been critical of the American press.

Mr. TAYLOR. In what way?

Mr. KNOWLAND. Let me finish. He has been critical of the United States military leaders and authorities, who led our

Nation to the successful conclusion of the war.

Mr. TAYLOR. I have not been critical of them.

Mr. KNOWLAND. He has been critical of the American Nation and America's Allies. I was wondering if any place in his speech he is going to be critical of the Soviet government for the attempts they have made to subject neighboring peoples, to put them behind the iron curtain, to take away their liberties, to execute their democratic leaders. I wonder if any place in the Senator's speech he is going to be critical of them, and not entirely of the Government of the United States?

Mr. TAYLOR. I may say, Mr. President, that the Senator from California did not truly represent what I have said. I have not criticized our military authorities. I gave the generals full credit for winning great victories. I said the GI's had helped them some, but I gave the generals most of the credit. I was not critical of our American system at any point in anything I have said. The Senator from California has misrepresented absolutely.

So far as my pointing out what is the matter with Soviet Russia, Mr. President, I can only say, that there are at least 90 Senators in the United States Senate who every day, several times a day, many times, tell us what is the matter with the Soviet Union and the things they have done. The press is ready to tell us what is the matter with the Soviet Union, and frequently tells us things that are not true respecting what is the matter with the Soviet Union. Because I do not want this world destroyed by atom bombs and bacteriological warfare I am trying to point out that the Russians are not all bad; that they have some good to them. There may still be hope to reach a reapproachment with them. That is what I am trying to do, Mr. President. I do not need to criticize them. I shall leave that for the Senator from California and others who are happy to receive the plaudits of the press by criticizing Russia. I shall try to point out that there are two sides to this matter, and I will take the consequences, but I will not take them lying down. I will fight back every time my position is misrepresented, as it was misrepresented by the Senator from California and by the distinguished senior Senator from the State of Texas [Mr. CONNALLY].

Of course, I will bet our boys have a controlling interest this time.

The Germans made a mistake by teaching our businessmen all the ins and outs of cartel manipulation.

Our boys are pretty smart when they once catch on.

So we will build up Germany again.

That will prevent the other European nations from ever becoming very prosperous, but we will have quite a war potential there for this party the boys are cooking up for Joe.

Of course, any fool can see that the Russians will take all that over in 24 hours if any trouble starts, but these bipartisan boys are no fools so they cannot see it.

It is said, Mr. President, that experience is the best teacher.

I sometimes doubt that.

We built up Germany once before.

It will be remembered that our big business boys and Churchill's moneyed friends loaned the Germans the money to build up all that great war potential.

Without their help Hitler never could have done the things he did.

Of course, they had an understanding with their cartel buddies that all this would be used against Russia, but "the best laid plans," Mr. President—

So, when Hitler got all his airplanes, cannons, and tanks, and everything ready he climbed into one of those nice, big tanks and raised up the lid to take a last look around, and it dawned on him.

He said, "Why, nobody has any of these tanks, airplanes, and guns but me."

"I will just take care of Joe later."

So he double-crossed our boys, his cartel friends, and, like Corrigan, he headed in the wrong direction.

We had an awful time stopping him, too, but you have to give our cartel boys credit.

I should like to have the Republicans notice that I am giving the cartel boys credit.

They pitched right in and helped us whip their old pal. Well, maybe they did not pitch right in.

They stalled a little.

We had to give them cost-plus and agree to build their factories for them and a few little things like that.

If there is anything those cartel boys do not like, it is nazism or fascism.

That is, of course, when it is the other fellow's fascism.

They would not mind having some here at home if they could run the thing.

In fact, I think home-grown fascism is the biggest danger to America right now.

But, anyhow, we are building up Germany again and it probably will all be used against us again.

Mr. CAIN. Mr. President, will the Senator yield for a question?

Mr. TAYLOR. I yield to my friend from Washington.

Mr. CAIN. The Senator from Idaho has suggested that America is building up Germany. I wonder if the Senator would give us his idea of what we should do as an American nation within Germany.

Mr. TAYLOR. We should leave Germany just the minimum necessary to let her people have a decent standard of living, but not a standard of living as good as their neighbors whom they devastated—whom they have ruthlessly destroyed twice in 25 years. Just leave them a decent standard of living, and remove the excess plants to the neighboring countries—the ones they have overrun and devastated.

Mr. CAIN. I wonder if that means that the Senator thinks the so-called Morgenthau plan should prevail in Germany, which as I understand was simply a declaration that an industrial nation should become for all time a rural and agricultural nation, where peoples were to live on the soil, and have no other means of livelihood?

Mr. TAYLOR. I am glad to correct the misrepresentation under which the Senator from Washington is laboring.

I am not and never have been an advocate of the Morgenthau plan. That is one thing; and leaving Germany a minimum of industrial equipment to have a decent way of life is another.

Mr. CAIN. I should like to ask the Senator one further question. Does he believe it is possible to bring about economic reconstruction and adequacy in western Europe without reconstructing Germany economically?

Mr. TAYLOR. I think it might be done. It might be more expensive, but I think it would be cheap in the long run to move those plants out of Germany, leaving the Germans no more than they absolutely need. I would rather put the money into such a program now and save us trouble in the future. We certainly should have learned by now, although, as I have said, I doubt if experience is the best teacher. It does not seem to work. We seem bent on doing the same thing over again.

Mr. President, I have come to England in this trip around the world to see how our foreign policy is working out. I cannot for the life of me understand why my friends are critical of me because I point out that our foreign policy has lost for us practically all our friends all over the world. If I wanted to fight Russia, as so many others seem to want to do, if I were all-out for fighting Russia, I would probably be more against our foreign policy than I am now, because if I wanted to fight Russia I would want us to have friends; and we have lost practically all of them.

ENGLAND

Now England ought to be our friend. She would surely help us in a war against Russia.

We speak the same language and we fought together twice—but I do not know.

I saw in the newspapers last week that the British had spent the last of the loan we gave them.

It is all gone.

Do you remember when that question was before the Senate, Mr. President?

I was against it.

I said, "Let us not loan the British this money because when you loan people something generally you make enemies out of them."

"They cannot repay it."

"There is no hope of them ever repaying it."

I further said:

"Now they are pretty good people. They put up a great scrap against Hitler."

"They held the fort until we were ready and they took a lot of punishment."

"I think they have earned this three billion seven hundred and fifty million that they are asking for, so let us just give it to them."

"Let us give it to them and forget it."

But, no. All the smart businessmen in the Senate said people do not appreciate anything if we give it to them. They said:

"Make them pay it back."

"Make them pay interest."

Of course, that is where I am at a disadvantage, Mr. President.

I have never made a business of loaning money and I have never collected any interest from anybody.

But did that loan make the British love us?

Mr. President, almost any day one can read in the newspapers that some Briton called us Uncle Shylock or the Yankee Imperialists.

Not only the labor people, Mr. President, but Churchill's boys say things like that about us, too.

I do not know whether the British would be with us in another war or not.

I suppose they would try desperately to keep out of it because they know what would happen to them in this atomic age on their tight little isle.

They would be more of a liability than an asset in such a war, anyway.

SOUTH AMERICA

How about South America, our sister republics to the south?

It will be remembered that we negotiated a mutual-assistance treaty with those good people last year.

It provides that if anybody attacked any one of us, all the rest would pitch in and help.

Of course, Peron introduced a substitute resolution that said that in case anybody was attacked we would all consult each other.

That would be a big help, would it not? There is nothing like consulting one another if someone attacks us.

Peron was a little ahead of his time with this consulting business.

That idea has just now come into its own in connection with the Palestine situation, so maybe he did not have such a bad idea after all. Perhaps Peron was not so far off base.

But we voted him down—by a narrow margin.

We got him to promise to render mutual assistance.

However, the day they signed up, I read in the newspaper that our embassy in Bogota, Colombia, was stoned; and quite regularly one can read in the newspapers that some South American dictator or even some President that we have recently helped elect has called us the "Colossus of the North" or the "Yankee Exploiters."

It is hardly surprising that they do not like us, Mr. President, when we consider how our businessmen behave down there.

They act as if they owned our Government. There might be some argument on that point, but will not go into it.

They had some trouble with Communists down in Chile awhile back. They cracked their heads, locked some of them up in a mine, and let them starve for a few days.

The President of Chile wanted to outlaw the Communist Party, as some of our 100-percent red-blooded patriots want to do up here.

So let me read what went on down there.

This is from that great liberal publication, *Time*; liberal with abuse for Henry and me; which says:

But not all Chileans wanted to be as tough as their volatile President.

The Socialists, in Chile no friends of Communists, opposed outlawing the party, as a blow to civil liberties.

Pink-cheeked old Senate President Arturo Alessandri, a Liberal, twice Chile's President

and still a great power in politics, let it be known that he was against the idea.

Besides, it might not be necessary.

According to Santiago gossip, Gonzales' anti-Communist action had already won the promise of a badly needed \$40,000,000 World Bank loan.

Gonzalez is the President.

Ah, Mr. President, who would not hunt Communists for \$40,000,000? The business of hunting Communists has become the biggest business in the world. It is profitable for everyone except us. We are the suckers.

Continuing with what *Time* magazine has to say about our industrialists:

Visiting United States industrialists—

Mind you, Mr. President, this does not refer to visiting diplomats, but visiting United States industrialists. They talked to the President and told him where to head in.

Visiting United States industrialists, who have told Gonzalez that they would be interested in investing in Chile if ever he got the best of his Commies, could watch the rapid climb of Chile's stock market last week and draw their own conclusions.

Lota coal shares were up 10 points in 5 days.

Our businessmen are a big help.

They go around telling those cheap little 10-cent South American boys where to head in.

I am not convinced, Mr. President, that our sister republics to the south would have any great enthusiasm—that is, the people—for any part of a war against Russia.

CANADA

Now, of course, we come to Canada.

We just take Canada for granted.

We have Canada in our vest pocket, so to speak.

She is so closely tied to us economically and in other ways that anybody would think that she would have to go along with us in almost anything we undertake.

There is another article from *Time* which casts a little doubt on the question of whether the Canadians love us or not.

This little article starts out in the typical *Time* fashion.

It is about a Canadian criticizing the United States. It says:

The man who leveled this blast was no third-rater.

Gregarious, graying Leslie Roberts, 51, a long-time newsmen, was executive assistant to Canada's Minister of National Defense in the early years of the war, later a war correspondent.

I shall skip most of the article, and get right down to the meat of what "gregarious, graying Leslie" had to say:

Canada is caught in the pincers of America's new power.

Down to here you have not shown aptitude to use it with wisdom, consideration or humility. * * *

You move in on people, not just people in Europe, but on your own good neighbors, militarily, economically, and, by indirection, politically. * * *

You can't run other people's lives, Uncle. * * *

We simply do not enjoy being pushed around. * * *

Your technique is terrible.

So it seems, Mr. President, that the Canadians are not altogether pleased with us. They would probably be forced

to help us in a war against Russia, but I doubt if their heart would be in it 100 percent.

So if we intend to fight the Russians, it would seem that we have made a kind of botch of winning friends and influencing people around the world. We had better make up our minds that we are going to have to do the job alone, and quit dissipating our resources all over the globe, and start digging holes in the mountains here at home.

A PEACEFUL POLICY

On the other hand, suppose we wanted to take the other road—the sensible road of continuing and building up the friendly relations with Russia bequeathed to us by Franklin D. Roosevelt. That is what we should have done if we want peace in the world.

But what did we do? We got angry because Stalin and Churchill agreed on spheres of influence and started carving things up. We did not get angry with Winnie, just Joe. So how did we show our displeasure? As I pointed out previously, our press and generals could not even wait for the war to end to start warning us of the terrible menace of Red Russia. The hate campaign of misrepresentation and exaggeration and sensation has gone on endlessly ever since.

HATRED IN THE PRESS

Mr. President, at the beginning of my talk I cited some examples of the hate campaign against Russia that goes on in the press.

Here is another that is typical, and I should like to call it to the attention of the Senate. It is an article in the *Washington Post* for Tuesday, January 22, 1948. The *Post* is probably the most calm, cool, and collected newspaper in Washington; so if it will do a thing like this, there is no doubt its competitors will spread it on even thicker. But this is bad enough, Mr. President.

As I say, this is an example of the drive toward war being conducted by the American press. It is a very wicked thing. It is morally criminal, although not legally punishable. These lords of the press are making the end of the world almost certain with their misrepresentation and inflammatory treatment of news that is none too good at best.

But here it is, Mr. President. Here is an article, two columns wide and about 10 inches deep—20 column inches, appearing in the *Washington Post*. It has a bold headline on it, as you Senators can see, and it says:

Tito sees war soon, paper says.

The subhead is:

Maybe in weeks. Boasts of weapon deadlier than atom bomb.

Then follows an account of a long harangue Tito is supposed to have delivered threatening to sink our Mediterranean fleet and to do all sorts of terrible things to us. But well down in the article, further down than most readers would care to pursue the matter, is this enlightening statement:

Pierre G. S. Dumas, assistant editor of the pro-De Gaulle newspaper, *Dissidence* 40, which published the same purported speech on December 15, said today, however, that he was convinced the report was a fabrication.

Dumas said the story was first printed in good faith.

Since then, he added, he had received reports from Balkan correspondents which convinced him despite his anti-Communist feelings that the alleged speech was never made.

Mr. President, it is almost unbelievable that the American press would do things like this to endanger the peace of the world. They knew the article was false when they printed it, and yet they gave it prominent headlines and wrote it up as fact, with the exception of that buried acknowledgement that it is pure fabrication.

Having seen things like this happen before, I searched the newspaper carefully the next day to see if there would be any further correction or any denial by Tito. Sure enough, there it was—this little article here, about three column inches buried way over next to Dick Tracy, some place. Here is what it said, Mr. President:

European newspaper reports quoting Marshall Tito as saying Yugoslavia was going to use her own atomic bomb and sink the Anglo-American Mediterranean fleets were dismissed by Tito's ambassador yesterday as "fabricated and utterly absurd."

Yugoslavia Envoy Sava N. Kosanovic said Tito had never made such statements, as claimed by some European papers.

"They constitute a malicious provocation, aimed not only at harming Yugoslavia but at poisoning the atmosphere and at hampering the efforts of all those who are working for a better understanding among nations," Kosanovic declared.

Mr. President, if these newspaper people realized what another war will mean—the scientists tell us it will mean the end of the world, literally—you would imagine the newspapers would never have printed a thing like that, knowing it to be a lie. But if it had been a mistake, then you would think they would have printed this denial by Tito with a big headline on it, to reassure the people that this warlike speech had never been made. You would imagine that they would have humbly apologized for printing an erroneous report in the first place, and would have fired the man who was responsible for having it printed.

Instead of that, Mr. President, the press slips a dagger, dipped in the poison of hatred, suspicion, and misunderstanding, into the heart of a distraught American people, and each day continue to twist it with sadistic malevolence.

If this thing goes on, Mr. President, and war eventually comes, and if there is anyone left to write history, I cannot see anything for the historian to write except that the American press in the period just before the last great war that destroyed civilization was the most irresponsible and powerful criminal that ever existed, not even barring Adolf Hitler, and that it was due to the machinations of this monster that disguised itself as a free press more than any other factor that twenty-century civilization came to its catastrophic end. Lately I have seen a few signs that this mad-dog complex is wearing itself out. Recently the New York Herald Tribune published a series of articles on Russia by John Steinbeck, which sought to give a fair picture of the Russians as people, human beings like ourselves. The Saturday

Evening Post had a series of objective articles by Edgar Snow. Recently the Ladies Home Journal had a splendid article, beautifully illustrated, showing how the Russians live, that they are not monsters, but every-day people very similar in many respects to our own fine American stock. I hope this is indicative of a reversal in trend.

Mr. WHERRY. Mr. President, will the Senator yield for one or two questions?

Mr. TAYLOR. I am happy to yield to my good friend.

Mr. WHERRY. Does the Senator feel that there is a prospect of his concluding tonight, if the Senate is kept in session?

Mr. TAYLOR. If the Senate is kept in session, I will conclude.

Mr. WHERRY. I am consulting the Senator's wishes in the matter.

Mr. TAYLOR. I am perfectly willing to quit at any time, unless it is customary to run late in this manner.

Mr. WHERRY. No. My thought was it is past 6:30 and I hoped that possibly by remaining in session, even until now, the distinguished Senator could conclude his speech without breaking it up. I am asking the Senator if he can conclude tonight, or how nearly through he is, in order that I may propound a unanimous-consent request that the Senator be recognized tomorrow in the event he cannot conclude tonight. But if it is the Senator's wish that he be permitted to conclude tonight, I shall be glad to remain and keep the Senate in session until that can be accomplished.

Mr. TAYLOR. No. I should appreciate the opportunity of going over until tomorrow. I shall require at least another hour.

Mr. WHERRY. Will the Senator yield, then, for a unanimous-consent request?

Mr. TAYLOR. I am happy to yield.

Mr. WHERRY. Mr. President, could the Senator tell me now, so that I may plan for tomorrow, how much further time he will take? Of course, I understand the Senator can retain the floor as long as he wishes. Would the Senator say he is halfway through, or give some indication of that kind?

Mr. TAYLOR. I have another hour, but less than 2 hours, I guarantee.

Mr. WHERRY. I want to cooperate with the Senator, and if he will permit, I ask unanimous consent that when the Senate recesses tonight it may be understood that the senior Senator from Idaho shall be recognized when the Senate convenes tomorrow.

Mr. TAYLOR. I may say—

Mr. WHERRY. Let us get the request put.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Nebraska? The Chair hears none, and it is so ordered.

Mr. WHERRY. Mr. President, I shall now be glad to yield.

Mr. TAYLOR. I may say to the Senator—at the moment I do not recall the Senator's State.

Mr. JOHNSON of Colorado. Nebraska.

Mr. WHERRY. That is in the middle of the United States. It is a great State, I may say to the Senator from Idaho.

Mr. TAYLOR. Yes, I know it is. It is really the hub of things in that area. My wife is sitting in the balcony, but

she has been here before and she heard the Senator from Nebraska help me out on some occasion—I have forgotten just when it was. I was being hard pressed, when the Senator came to my rescue.

Mr. WHERRY. I can tell the Senator when it was, if he wishes to know. It was one night when he was speaking on the Taft-Hartley bill.

Mr. TAYLOR. Very well. At any rate, Mrs. Taylor thinks the Senator from Nebraska is very fine. I do not know whether it is the good looks of the Senator from Nebraska, or his good deeds, but I am sure after this she will entertain an even higher opinion of the Senator. In fact, I do not think I shall allow her to visit the Senate any more.

Mr. WHERRY. It is nice to know that the sentiments of the senior Senator from Idaho concerning the Senator from Nebraska are shared by the better seventeighths of his family.

The order is, then, by unanimous consent, that when the Senate reconvenes tomorrow, the distinguished Senator from Idaho may continue his speech. Would the Senator like to continue further this evening, or is it perfectly agreeable to him to have me make a motion to recess?

Mr. TAYLOR. I should be perfectly happy to have an opportunity to go home and get something to eat.

RECESS

Mr. WHERRY. Mr. President, before making the motion, I should like to make a statement. The way the debate is now proceeding, with so many wanting to speak—I have requests now from innumerable Senators who desire to deliver speeches—and with so many amendments pending, I feel that the announcement I made earlier in the session today that we would have a Saturday session, if it met with the approval of the Senate, and also a session on Thursday night and Friday, if it became necessary, should stand. I really feel now that such sessions have become necessary. Of course, it is understood that they will be held if the suggestion meets with the approval of the Senate. If it does, as I am sure it will, because this is such an important piece of legislation, it is hoped that with sessions on Thursday night and on Friday night, and on Saturday, the pending bill can be disposed of by the end of the week. If not, we shall continue into next week.

I now move that the Senate take a recess until 12 o'clock noon tomorrow.

The motion was agreed to; and (at 6 o'clock and 46 minutes p. m.) the Senate took a recess until tomorrow, Wednesday, March 10, 1948, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 9 (legislative day of February 2), 1948:

IN THE ARMY

PROMOTIONS IN THE REGULAR ARMY OF THE UNITED STATES

The nominations of Louis Simmons Stickney and 1,271 other officers, which were confirmed today, were received by the Senate on February 9, 1948, and appear in full in the Senate proceedings of the CONGRESSIONAL RECORD for that date, under the caption

"Nominations," beginning with the name of Louis Simmons Stickney shown on page 1239 and ending with the name of Peter Christian Schröder on page 1253.

The following-named officers for promotion in the Regular Army of the United States, under the provisions of section 508 of the Officer Personnel Act of 1947.

To be first lieutenants

Earl Warren Fletcher
Frank Winston Tippitt
Gordon James Rieger
Earl Barnette Broome, Jr.
Robert Maitland Polz
Gordon Joseph James
Richard Harriman Maeder
Robert Vernon Shirk
Robert Hunter McCleary
Austin Wayne Turner
George Bunyon May
Loren Ray Lester
Herman Stein
Adolph Clarence Fossum
Kenneth Richard Hintz
Melville Jewell MacDonald, Jr.
Gilbert Hermann Foltz
William Raymond Homiller
Fred Olen La Fevers, Jr.

Medical Service Corps

To be first lieutenants

Gordon Falconer Weighton
Jack Alexander Creech

Army Nurse Corps

To be first lieutenants

Dorothy Annette Goeller
Olga W. Gull
Ruth Alice Kegler
Betty Arline Klingensmith
Lorraine Helen Droxler
Jean Harriet Donahue
Shirley Mae McCoy
Margery Evelyn Cheers

APPOINTMENTS IN THE REGULAR ARMY IN THE ARMY NURSE CORPS AND APPOINTMENTS IN THE WOMEN'S MEDICAL SPECIALIST CORPS IN THE GRADES SPECIFIED

To be captains

Vida L. Buehler	Alene V. Ness
Mary C. Burnham	Helena D. Quinn
Elizabeth S. Carlous	Winifred G. Riley
Mildred S. Carter	Barbara M. Sleddon
Mary L. Gill	Mary E. Stack
Norine O. Ginder	Carol Stange
Frances M. Horr	Ruth G. Strain
Alice T. A. Knox	Ethel M. Thielmann
Katharine Leonard	Helen Tremback
Erma G. Lord	Anita V. Williams
Hilda M. Lovett	

To be first lieutenants

Melba L. Adams	Gertrude E. Brooks
Mary L. Albright	Marjorie T. Brown
Johanna M. Anderson	Billie E. Bryson
Juliet M. D. Anton	Martha M. Cameron
Agnes M. Arrington	Virginia A. Cameron
Elizabeth A. Askegaard	Margaret H. Cannoles
Margaret F. Bagar	Helen M. Carboneau
Doris L. Bailey	Virginia L. Carroll
Marjorie L. Baker	Mary J. Carsey
Geraldine R. Baldwin	Constance G. Catalano
Adele M. Ball	Jennie L. Caylor
Dorothy E. Baltzo	Hazel C. Chadwick
Wilma R. Barney	Christine M. Chesnik
C. Barbara Bean	Jeannette E. Churchill
Evelyn M. Bedard	Leota H. Clark
Angela R. Benda	Mary E. Clark
Clara R. Bentley	Mary S. Clark
M. Pauline Bettinger	Ethel Claxon
Loretta M. Bevins	Flora L. Clymer
Jean B. Bissonette	Belle K. Cohen
Louise F. Bitter	Betty L. Colyer
Inez H. Blossman	Dora M. Coover
Martha M. Boger	Lena J. Cricco
Ada E. Boone	Patricia L. Crocker
Thelma K. Bormann	Doris J. Crouser
Olive J. Boxa	Dorothy M. Cunningham
Ruth E. Breneman	
Esther Brians	Florine H. Cutts

Alice B. Davidson
Robertine E. Davies
Elizabeth M. Dean
Dorothy M. DeHart
Elaine H. Deliman
Helen C. Dembeck
Janet L. Demy
Anna T. DeNegri
Maryelle Dodds
Marion M. Donaldson
Madelyn F. Donnelly
Kathryn T. Driscoll
Rita R. Dulisse
Rose J. Dull
Cleo E. Durkee
Colatine Dyas
Julia C. Eastwood
Virginia H. Echerd
Anna M. Evans
Hazel L. Evans
Anna E. Fairley
Mary C. Fanning
Maxine H. Fell
Miriam J. Fickes
Wanda I. Fill
Jane C. Flanagan
Edythe M. Fleck
Dorothea V. Fleischer
Margaret C. Flynn
Evelyn Folmar
Eunice M. Ford
Marguerite W. Foster
Emily K. Frailey
Catherine E. Francis
Miriam E. Fuller
Anna D. Funk
Mildred M. Furlong
Ruth E. Fussell
Gladys L. Fusselman
Margaret L. Gattis
Sara J. Gephart
Phyllis M. Gervais
Elnora L. Geyer
Pattie R. Gibbs
Willie C. Gilliam
Katherine S. Gillies
Sheila M. Gillman
Margaret Gist
Agnes C. Glunt
Joyce Goodwin
Eleanor M. Gorman
Patricia Greenan
Catherine R. Grogan
Emma C. Groh
Mary E. Guerdetto
Marjorie A. Haley
Anna D. Harkins
Paulanna R. Harkins
Cleo S. Harrod
Willie E. Hart
Mary E. Hartley
Mary B. Hartman
Lillian E. Haws
Sally C. Hayes
Bernice I. Heath
Margith H. Heide
Marie A. Heine
Dorothy A. Helwig
Evelyn M. Henrich
Alice P. Hill
Katherine J. Hills
Phyllis J. Hocking
Maralee R. Hodgson
Ann E. Hogan
Bernice E. Holsinger
Helen C. Hooverson
Margaret L. Hornberger
Elizabeth R. Horne
Marjorie O. Horton
Lucy E. Houghton
Matilda Howard
Vivian Howell
June L. Hudson
Agnes T. Hulme
Barbara M. Hutchins
Elizabeth J. Ingram
Sallie H. Ingram
Agnes M. Jackson
Florence S. Jacobs
Margaret L. Jacobson

Dorothy E. Jaeger
Johanna H. Jakubaitis
Helen C. Jansen
Alice C. Jeffreys
Lillian Jones
Mildred C. Katich
Mary E. Keefe
Lelia M. Kehoe
Arlene E. Kind
Eleanor A. Klensch
Helen S. Kloss
Gladys N. Knowles
Rita M. Kopp
Ethel R. Kovach
Helen S. Koziol
Bernice H. Kress
Ruth B. Krieser
Ruth A. Kruger
Lucile Krumperman
Blanche F. Kuchar
Katherine R. Kurutz
Helen M. Landis
Anna M. Lanzendorfer
Theresa J. Larivee
Caryl R. Lawrence
Mary Lawrence
Marietta Levy
Minalie M. Lindo
Lulu M. Lines
Irene Lionals
Josephine A. Lo Cicero
Esther M. Lockwood
Martha E. Lohman
Agnes B. Lohrmann
Imelda H. Lohrmann
Lela M. Lovelace
Hazel J. Lovett
Etta M. Lowe
Mary S. Lowe
Eddie R. Loyd
Mary E. Lynch
Mary K. Lynch
Patty J. Mann
Angelena I. Mariano
Alice S. Marks
Helen M. Martin
Cofetta M. Masterson
Kathryn Maurice
Christine Maxwell
Kathryn J. McCann
Dorothea M. McCarty
Helen A. McCloskey
Mercedes A. McCort
Agnes B. McGann
Eleanor McIntyre
Catharine G. McNiven
Mary V. Menold
Catherine A. Merat
Charlotte M. Meyer
Florence J. Mikowski
Esther M. Miller
Kathleen F. Miller
Mae E. Miller
Anne D. Mitchell
Hannah T. Mohr
Mary A. Moles
Esther J. Moran
Marion M. Morris
Ida B. Morrison
Mary E. Morse
Mary F. Morse
Dorothy H. Murray
Rowella H. Newell
Charlotte L. Nolan
Irene B. Norkus
Walburga G. Nyéz
Evelyn R. Ordway
Margaret L. Ormand
Naomi I. Osborne
Esta C. Ott
Mary E. Ouimet
Jewell A. Outlaw
Reverdy M. Overbey
Susie W. Page
Margaret T. Paolilli
Joline D. Parente
Alice S. Patterson
Isabel S. Paulson
Irene M. Pawlowski
Mildred M. Peace
Mildred Perkins

Lorraine W. Pertelt
Mabel E. Pierce
Carrie E. Pittman
Alice E. Planty
Mary K. Platt
Audrae A. Quintini
Constance H. Ramsey
Margaret E. Remington
Ellen M. Respini
Bertha D. Richardson
Catherine M. Riney
Sue H. Robertson
Pauline Robinson
Alta P. Rogers
Mary M. Rollins
Lucille I. Ross
Dorothy L. Rundle
Georgeann E. Russell
Helen A. Rydzewski
Juanita H. Scalf
Sophia M. Schadt
Eleanora M. M. Scheesele
Mary M. Schultz
Martha J. Seidel
Mildred M. Shaner
Clarice J. Shannon
Evelyn E. Silbert
Martha A. Simpkins
Blanche I. Sipple
Betty F. Smith
Frances K. Smith
Mary E. Smith
Ruth G. Smith
Gloria E. Snyder
Anna M. Solberg
Eleanore M. Soppa
Venice Spendlove
Julia Stark

Edna L. Staton
Sylvia M. Stivlen
Pauline Stokes
Sarah C. Stradley
Cecilia A. Sulkowski
Mary L. Sutton
Marion D. Sweigart
Garnet A. Sykes
Bernice V. Taylor
Georgia V. Teater
Lois R. Thompson
Mae Thompson
Margaret J. Thornton
Sara M. Tippet
Annie Townsley
Helen L. Tucker
Ruth E. Tucker
Vida J. Tucker
Florence E. Turney
Louise Tyner
Edith E. Uhl
Gladys M. Webster
Nell O. Welborne
Harriet H. Werley
Ida A. Werner
Margaret E. Wesely
Martha M. West
Alta M. White
Agnes L. Williams
Rebecca S. Williams
Sarah L. Williford
Gladys H. Wilson
Fleeta O. Worthington
Elizabeth A. Wright
Frances E. Wright
Doris Yopp
Elizabeth A. Zettel
Anne M. Zizon
Delores V. Zuelke

To be second lieutenants

Frances Aragon	Frances C. Knipe
Audrey P. Atkinson	Marilouise Knott
Dorothy R. Bonsall	Marybelle J. Lacey
Gladys I. Breault	Amalia R. Lazaro
Mary M. Breunig	Ruth M. Leahy
Opal T. Cameron	Mabel D. Lewis
Erin E. Cannon	Catherine M. Loeffel
Claire D. Cardinal	Beulalys Masterson
Anna G. Casey	Maxine Miller
Olga L. Chernak	Catherine E. Paight
Muriel E. Clapper	Ruth M. Pray
Helen S. Comac	Bernadette L. Reider
Catherine N. Cotsones	Mildred E. Schapiro
Therese E. Daley	Marie J. Schmahl
Dolores A. Damberger	Kathryn E. Schultz
Grace M. Dickson	Virginia M. Shaffer
Muriel E. Eckelberg	Marian F. Sindoni
Janice W. Feagin	Roberta W. Smith
Rose M. Ferrelli	Artrude M. Stark
Mary E. Fetters	Marilynn C. Stevens
Enola S. Flowers	Phyllis R. Strobel
Bertha G. Goodfellow	Harriet Ter Borg
Phyllis A. Hall	Jane M. Valine
Myra J. Hanlon	Alma E. V. Wallsten
Katherine Henningsen	Rosemary Witt
Marian Horner	Harriet L. Wood
Ethel M. Inglis	Donna P. Zimmerman
Margaret M. Kish	

IN THE AIR FORCE

PROMOTIONS IN THE UNITED STATES AIR FORCE

The following-named officers for promotion in the United States Air Force, under the provisions of section 508 of the Officer Personnel Act of 1947:

To be first lieutenants

Wilbert Edward Habakangas
Rowland Douglas Smith, Jr.
James Morton Bush
Oscar Wallace Lincoln Brown
Travis Ervin Koch
Hugh Munsey Smith
William Jackson Rand
Darrell Glenn Williamson
Joel Charles Lee
Carl Walters, Jr.
Ray Lorentzen Barry
Robert Leonard Vandiver
Roger Treat Jackson, Jr.

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 9 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

(IN THE NATURE OF A SUBSTITUTE)

Intended to be proposed by Mr. CAPEHART to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: Strike out all after the enacting clause and insert in lieu thereof the following:

- 1 That this Act may be cited as the "International Relief
2 and Reconstruction Act of 1948".

3 FINDINGS AND DECLARATION OF POLICY

- 4 SEC. 2. (a) Recognizing the intimate economic and
5 other relationships between the United States and the

1 nations of the world, and recognizing that disruption follow-
2 ing in the wake of war is not contained by national frontiers,
3 the Congress finds that the existing situation in the world
4 endangers the establishment of a lasting peace, the general
5 welfare and national interest of the United States, and the
6 attainment of the objectives of the United Nations. The
7 restoration or maintenance in all countries of principles of
8 individual liberty, free institutions, and genuine independ-
9 ence rests largely upon the establishment of sound economic
10 conditions, stable international economic relationships, and
11 the achievement by the countries of the world of a healthy
12 economy independent of extraordinary outside assistance.

13 The accomplishment of these objectives calls for a plan of
14 world recovery, open to all such nations which cooperate in
15 such plan, based upon a strong production effort, the expan-
16 sion of foreign trade, the creation and maintenance of internal
17 financial stability, and the development of economic coopera-
18 tion, including all possible steps to establish and maintain
19 equitable rates of exchange and to bring about the progressive
20 elimination of trade barriers. Mindful of the advantages
21 which the United States has enjoyed through the existence
22 of a large domestic market with no internal trade barriers.
23 and believing that similar advantages can accrue to all coun-
24 tries, it is the hope of the people of the United States that
25 all countries through a joint organization will exert sustained

1 common efforts which will speedily achieve that economic
2 cooperation in the world which is essential for lasting peace
3 and prosperity. Accordingly, it is declared to be the policy
4 of the people of the United States to sustain and strengthen
5 principles of individual liberty, free institutions, private enter-
6 prise, and genuine independence in the world through assist-
7 ance to all countries which participate in a joint recovery
8 program based upon self-help and mutual cooperation: *Pro-*
9 *vided*, That no assistance to the participating countries herein
10 contemplated shall seriously impair the economic stability
11 of the United States. It is further declared to be the policy
12 of the United States that continuity of assistance provided
13 by the United States should, at all times, be dependent upon
14 continuity of cooperation among countries participating in
15 the program.

16 In furtherance of the declared policy for the promotion
17 of self-help by the participating countries, such financial
18 assistance, other than for direct relief, extended pursuant to
19 this Act to any such country shall be—

20 (1) extended, not by the United States alone, but
21 by the United States and by the government and people
22 of each such country in equal measure, to the end that
23 their cooperative efforts may accomplish the necessary
24 economic rehabilitation within the shortest possible time;

25 (2) extended in such manner as to foster to the

1 maximum possible extent the rehabilitation of free
2 enterprise within each such country;

3 (3) supplied through the establishment of a revolving
4 fund of credits in United States dollars from which
5 loans can be made within such country to private entrepreneurs to enable them to purchase in world markets
6 such goods and services as they may require to re-
7 establish the productive facilities upon which the
8 economic prosperity of such country depends; and

10 (4) administered by a governmental corporation
11 established within each such country having functions
12 similar in nature to those of the Reconstruction Finance
13 Corporation within the United States, and in which such
14 Reconstruction Finance Corporation shall participate
15 as a shareholder.

16 PURPOSES OF ACT

17 (b) It is the purpose of this Act to effectuate the policy
18 set forth in subsection (a) of this section by furnishing
19 material and financial assistance to the participating coun-
20 tries and private enterprise in such countries in such a man-
21 ner as to aid them, through their own individual and concerted
22 efforts, to become independent of extraordinary outside eco-
23 nomic assistance within the period of operations under this
24 Act, by—

(1) promoting industrial and agricultural production in the participating countries;

(2) furthering the restoration or maintenance of the soundness of currencies, budgets, and finances in each such participating country; and

(3) facilitating and stimulating the growth of international trade of participating countries with one another and with other countries by appropriate measures including reduction of barriers which may hamper such trade.

DEFINITIONS

SEC. 3. As used in this Act—

(a) The term “Reconstruction Finance Corporation” shall mean the body corporate established pursuant to the Reconstruction Finance Corporation Act, as now or hereafter amended;

(b) The term “participating country” shall mean—

(1) any country, together with dependent areas under its administration, which signed the report of the Committee of European Economic Cooperation at Paris on September 22, 1947; and

(2) any other country (including any of the zones of occupation of Germany, any areas under international administration or control, and the Free Territory of

1 Trieste or either of its zones) together with dependent
2 areas under its administration: *Provided*, That such
3 country concludes a multilateral agreement with the
4 United States pursuant to section 17 of this Act, and
5 for so long as it complies with the provisions of such
6 agreement; and

7 (c) The term "foreign reconstruction finance corpora-
8 tion" shall mean the governmental corporation established
9 within any participating country to effectuate the purposes of
10 this Act in full compliance with the requirements specified
11 in section 15 hereof.

12 ESTABLISHMENT OF INTERNATIONAL RELIEF

13 ADMINISTRATION

14 SEC. 4. (a) There is hereby established, with its prin-
15 cipal office in the District of Columbia, an agency of the
16 Government which shall be known as the International
17 Relief Administration, hereinafter referred to as the Admin-
18 istration. The Administration shall be headed by an Ad-
19 ministrator for International Relief, hereinafter referred to
20 as the Administrator, who shall be appointed by the Presi-
21 dent, by and with the advice and consent of the Senate, and
22 who shall receive compensation at the rate of \$20,000 per
23 annum. The Administrator shall be responsible to the
24 President and shall have a status in the executive branch
25 of the Government comparable to that of the head of an

1 executive department. Except as otherwise provided in this
2 Act, the administration of the provisions of this Act is hereby
3 vested in the Administrator and his functions shall be
4 performed under the control of the President.

5 (b) There shall be in the Administration a Deputy
6 Administrator for International Relief who shall be ap-
7 pointed by the President, by and with the advice and
8 consent of the Senate, and shall receive compensation at
9 the rate of \$17,500 per annum. The Deputy Administrator
10 for International Relief shall perform such functions as the
11 Administrator shall designate, and shall be Acting Adminis-
12 trator for International Relief during the absence or dis-
13 ability of the Administrator or in the event of a vacancy
14 in the office of Administrator.

15 (c) The President is authorized, pending the appoint-
16 ment and qualification of the first Administrator or Deputy
17 Administrator for International Relief appointed hereunder,
18 to provide, for a period of not to exceed thirty days after the
19 date of enactment of this Act, for the performance of the
20 functions of the Administrator under this Act through such
21 departments, agencies, or establishments of the United States
22 Government as he may direct. In the event the President
23 nominates an Administrator or Deputy Administrator prior
24 to the expiration of such thirty-day period, the authority
25 conferred upon the President by this subsection shall be

1 extended beyond such thirty-day period but only until an
2 Administrator or Deputy Administrator qualifies and takes
3 office.

4 (d) Any department, agency, or establishment of the
5 Government performing functions under this Act is author-
6 ized to employ, for duty within the continental limits of
7 the United States, such personnel as may be necessary to
8 carry out the provisions and purposes of this Act, and funds
9 available pursuant to section 16 of this Act shall be avail-
10 able for personal services in the District of Columbia and
11 elsewhere without regard to section 14 (a) of the Federal
12 Employees Pay Act of 1946 (60 Stat. 219). Of such per-
13 sonnel employed by the Administration, not to exceed forty
14 may be compensated without regard to the provisions of
15 the Classification Act of 1923, as amended, of whom not
16 more than ten may be compensated at a rate in excess
17 of \$10,000 per annum, but not in excess of \$15,000 per
18 annum. Experts and consultants or organizations thereof,
19 as authorized by section 15 of the Act of August 2, 1946
20 (U. S. C., title 5, sec. 55a), may be employed by the Ad-
21 ministration, and individuals so employed may be compen-
22 sated at rates not in excess of \$50 per diem and while away
23 from their homes or regular places of business, they may be
24 paid actual travel expenses and not to exceed \$10 per

1 diem in lieu of subsistence and other expenses while so
2 employed.

3 (e) The head of any department, agency, or establish-
4 ment of the Government performing functions under this
5 Act may, from time to time, promulgate such rules and
6 regulations as may be necessary and proper to carry out
7 his functions under this Act, and he may delegate authority
8 to perform any of such functions to his subordinates, acting
9 under his direction and under rules and regulations pro-
10 mulgated by him.

11 GENERAL FUNCTIONS OF ADMINISTRATOR

12 SEC. 5. (a) The Administrator, under the control of
13 the President, shall in addition to all other functions vested in
14 him by this Act—

15 (1) review and appraise the requirements of par-
16 ticipating countries for relief assistance under the terms
17 of this Act;

18 (2) formulate programs of United States relief
19 assistance under this Act;

20 (3) provide for the efficient execution of any such
21 programs as may be placed in operation; and

22 (4) terminate provision of relief assistance or take
23 other remedial action as provided in section 18 of this
24 Act.

1 (b) In order to strengthen and make more effective the
2 conduct of the foreign relations of the United States—

3 (1) the Administrator, Chairman of the Board of
4 Directors of the Reconstruction Finance Corporation,
5 and the Secretary of State shall keep each other fully
6 and currently informed on matters, including prospective
7 action, arising within the scope of their respective duties
8 which are pertinent to the duties of the other;

9 (2) whenever the Secretary of State believes that
10 any action, proposed action, or failure to act on the
11 part of the Administrator or the Chairman of the Board
12 of Directors of the Reconstruction Finance Corporation
13 is inconsistent with the foreign-policy objectives of the
14 United States, he shall consult with the Administrator
15 or the Chairman of the Board of Directors of the Recon-
16 struction Finance Corporation, as the case may be, and,
17 if differences of view are not adjusted by consultation,
18 the matter shall be referred to the President for final
19 decision.

20 NATIONAL ADVISORY COUNCIL

21 SEC. 6. Section 4 (a) of the Bretton Woods Agreement
22 Act (59 Stat. 512, 513) is hereby amended to read as
23 follows:

24 “SEC. 4. (a) In order to coordinate the policies and
25 operations of the representatives of the United States on the

1 Fund and the Bank and of all agencies of the Government
2 which make or participate in making foreign loans or which
3 engage in foreign financial exchange or monetary trans-
4 actions, there is hereby established the National Advisory
5 Council on International Monetary and Financial Problems
6 (hereinafter referred to as the 'Council'), consisting of the
7 Secretary of Treasury as Chairman, the Secretary of State,
8 the Secretary of Commerce, the Chairman of the Board of
9 Governors of the Federal Reserve System, the Chairman of
10 the Board of Trustees of the Export-Import Bank of Wash-
11 ington, the Chairman of the Board of Directors of the Recon-
12 struction Finance Corporation, and during such period as the
13 International Relief Administration shall continue to exist,
14 the Administrator for International Relief."

15 PUBLIC ADVISORY BOARD

16 SEC. 7. (a) There is hereby created a Public Advisory
17 Board, hereinafter referred to as the Board, which shall
18 advise and consult with the Administrator with respect to
19 general or basic policy matters arising in connection with
20 the Administrator's discharge of his responsibilities. The
21 Board shall consist of the Administrator, who shall be Chair-
22 man, and not to exceed twelve additional members to be
23 appointed by the President, by and with the advice and con-
24 sent of the Senate, and who shall be selected from among
25 citizens of the United States of broad and varied experience

1 in matters affecting the public interest, other than officers
2 and employees of the United States (including any agency
3 or instrumentality of the United States) who, as such,
4 regularly receive compensation for current services. The
5 Board shall meet at least once a month and at other times
6 upon the call of the Administrator or when three or more
7 members of the Board request the Administrator to call a
8 meeting. Not more than a majority of two of the members
9 shall be appointed to the Board from the same political
10 party. Members of the Board, other than the Administrator,
11 shall receive, out of funds made available for the purposes
12 of this Act, a per diem allowance of \$50 for each day
13 spent away from their homes or regular places of business,
14 for the purpose of attendance at meetings of the Board,
15 or at conferences held upon the call of the Administrator,
16 and in necessary travel, and while so engaged, they may be
17 paid actual travel expenses and not to exceed \$10 per diem
18 in lieu of subsistence and other expenses.

19 (b) The Administrator may appoint such other ad-
20 visory committees as he may determine to be necessary or
21 desirable to effectuate the purposes of this Act.

22 UNITED STATES SPECIAL REPRESENTATIVE ABROAD

23 SEC. 8. There shall be a United States Special Repre-
24 sentative in Europe who shall (a) be appointed by the
25 President, by and with the advice and consent of the Senate,

1 (b) be entitled to receive the same compensation and
2 allowances as a chief of mission, class 1, within the mean-
3 ing of the Act of August 13, 1946 (60 Stat. 999), and
4 (c) have the rank of ambassador extraordinary and pleni-
5 potentiary. He shall be the chief United States representa-
6 tive to any organization of participating countries which
7 may be established by such countries to further a joint
8 program for European recovery, and shall discharge in
9 Europe such additional responsibilities as may be assigned to
10 him with the approval of the President in furtherance of the
11 purposes of this Act. He may also be designated as the
12 United States representative on the Economic Commission
13 for Europe. He shall keep the Administrator, the Chairman
14 of the Board of Directors of the Reconstruction Finance
15 Corporation, the Secretary of State, the chiefs of the United
16 States diplomatic missions, and the chiefs of the special
17 missions provided for in section 9 of this Act currently in-
18 formed concerning his activities. He shall consult with the
19 chiefs of all such missions, who shall give him such cooper-
20 ation as he may require for the performance of his duties
21 under this Act.

22 SPECIAL IRA MISSIONS ABROAD

23 SEC. 9. (a) There shall be established in each partici-
24 pating country, except as provided in subsection (d) of this
25 section, a special mission for relief administration under the

1 direction of a chief who shall be responsible for assuring the
2 performance within such country of operations under this
3 Act. The chief shall be appointed by the Administrator,
4 shall receive his instructions from the Administrator, and
5 shall report to the Administrator on the performance of the
6 duties assigned to him. The chief of the special mission
7 shall take rank immediately after the chief of the United
8 States diplomatic mission in such country.

9 (b) The chief of the special mission shall keep the chief
10 of the United States diplomatic mission fully and currently
11 informed on matters, including prospective action, arising
12 within the scope of the operations of the special mission and
13 the chief of the diplomatic mission shall keep the chief of
14 the special mission fully and currently informed on matters
15 relative to the conduct of the duties of the chief of the special
16 mission. The chief of the United States diplomatic mission
17 will be responsible for assuring that the operations of the
18 special mission are consistent with the foreign-policy objec-
19 tives of the United States in such country and to that end
20 whenever the chief of the United States diplomatic mission
21 believes that any action, proposed action, or failure to act
22 on the part of the special mission is inconsistent with such
23 foreign-policy objectives, he shall so advise the chief of the
24 special mission. If differences of view are not adjusted by

1 consultation, the matter shall be referred to the Secretary of
2 State and the Administrator for decision.

3 (c) The Secretary of State shall provide such office
4 space, facilities, and other administrative services for the
5 United States Special Representative in Europe and his staff,
6 and for the special mission in each participating country as
7 may be agreed between the Secretary of State and the
8 Administrator.

9 (d) With respect to any of the zones of occupation of
10 Germany and of the Free Territory of Trieste, during the
11 period of occupation, the President shall make appropriate
12 administrative arrangements for the conduct of operations
13 under this Act, in order to enable the Administrator to carry
14 out his responsibility to assure the accomplishment of the
15 purposes of this Act.

16 PERSONNEL OUTSIDE UNITED STATES

17 SEC. 10. (a) For the purpose of performing functions
18 under this Act outside the continental limits of the United
19 States the Administrator may—

20 (1) employ persons who shall receive compensation
21 at any of the rates provided for the Foreign Service
22 Reserve and Staff by the Foreign Service Act of 1946
23 (60 Stat. 999), together with allowances and benefits
24 established thereunder; and

1 (2) recommend the appointment or assignment of
2 persons and the Secretary of State may appoint or assign
3 such persons, to any class in the Foreign Service Reserve
4 or Staff for the duration of operations under this Act,
5 and the Secretary of State may thereafter assign, trans-
6 fer, or promote such persons upon the recommendation
7 of the Administrator. Persons so appointed to the
8 Foreign Service Staff shall be entitled to the benefits
9 of section 528 of the Foreign Service Act of 1946.

10 (b) For the purpose of performing functions under this
11 Act outside the continental limits of the United States, the
12 Secretary of State may, at the request of the Administrator,
13 appoint, for the duration of operations under this Act, alien
14 clerks and employees in accordance with applicable provisions
15 of the Foreign Service Act of 1946 (60 Stat. 999).

16 (c) Civilian personnel who are citizens or residents of
17 the United States employed or appointed pursuant to this
18 section to perform functions under this Act shall be inves-
19 tigated by the Federal Bureau of Investigation which shall
20 make a report thereof to the appointing authority as soon as
21 possible: *Provided, however,* That they may temporarily
22 assume their posts and perform their functions after pre-
23 liminary investigation and clearance by the Administrator
24 or the Secretary of State, as the case may be, but such

1 employment may be terminated after the receipt of the
2 report of the Federal Bureau of Investigation.

3 NATURE AND METHOD OF RELIEF ASSISTANCE

4 SEC. 11. (a) The Administrator may, from time to
5 time, furnish relief assistance to any participating country by
6 providing for the performance of any of the functions set
7 forth in paragraphs (1) through (5) of this subsection
8 when he deems it to be in furtherance of the purposes of
9 this Act, and upon the terms and conditions set forth in this
10 Act and such additional terms and conditions consistent
11 with the provisions of this Act as he may determine to be
12 necessary and proper.

13 (1) Procurement from any source, including Govern-
14 ment stocks, of any commodity which he determines to be
15 required for the furtherance of the purposes of this Act.
16 As used in this Act, the term "commodity" means any
17 agricultural product, food, clothing, medical supplies or fuel
18 necessary for the relief purposes of this Act.

19 (2) Processing, storing, transporting, and repairing
20 any commodities, or performing any other services with
21 respect to a participating country which he determines to
22 be required for accomplishing the relief purposes of this Act.

23 (3) Transfer of any commodity, which transfer shall
24 be signified by delivery of the custody and right of possession

1 and use of such commodity, or otherwise making available
2 any such commodity, or by rendering a service to a par-
3 ticipating country or to any agency or organization repre-
4 senting a participating country.

5 (b) The Administrator may provide for the perform-
6 ance of any of the functions described in subsection (a) of
7 this section—

8 (1) by establishing accounts against which, under
9 regulations prescribed by the Administrator—

10 (i) letter of commitment may be issued in con-
11 nection with supply programs approved by the Ad-
12 ministrator (and such letters of commitment, when
13 issued, shall constitute obligations of applicable
14 appropriations) ; and

15 (ii) withdrawals may be made by participat-
16 ing countries, or agencies or organizations repre-
17 senting participating countries, upon presentation of
18 contracts, invoices, or other documentation specified
19 by the Administrator.

20 Such accounts may be established on the books of the
21 Administration, or any other department, agency, or
22 establishment of the Government specified by the Ad-
23 ministrator, or, on terms and conditions approved by
24 the Secretary of the Treasury, in banking institutions in
25 the United States. Expenditures of funds which have

1 been made available through accounts so established
2 shall be accounted for on standard documentation re-
3 quired for expenditures of Government funds: *Provided,*
4 That such expenditures for commodities or services pro-
5 cured outside the continental limits of the United States
6 under authority of this section may be accounted for
7 exclusively on such certification as the Administrator
8 may prescribe to assure expenditure in furtherance of the
9 purposes of this Act, and such certification shall be bind-
10 ing on the accounting officers of the Government;

11 (2) by utilizing the services and facilities of any
12 department, agency, or establishment of the Govern-
13 ment as the President shall direct, or with the consent
14 of the head of such department, agency, or establish-
15 ment, or, in the President's discretion by acting in co-
16 operation with the United Nations or with other
17 international organizations or with agencies of the partic-
18 ipating countries, and funds allocated pursuant to this
19 section to any department, agency, or establishment
20 of the Government shall be established in separate appro-
21 priation accounts on the books of the Treasury.

22 (c) The Administrator may provide assistance for any
23 participating country, in the form and under the procedures
24 authorized in subsections (a) and (b), respectively, of this
25 section, through relief grants. In determining whether such

1 relief assistance shall be granted, he shall act in consultation
2 with the Public Advisory Board as provided for in section
3 7 (a) of this Act, and the determination whether or not a
4 participating country requires relief assistance shall depend
5 upon the character and purpose of the assistance and the
6 necessity to accomplish the purposes of this Act.

7 PROTECTION OF DOMESTIC ECONOMY

8 SEC. 12. (a) The Administrator shall provide for the
9 procurement in the United States of commodities under this
10 Act in such a way as to (1) minimize the drain upon the
11 resources of the United States and the impact of such pro-
12 curement upon the domestic economy, and (2) avoid im-
13 pairing the fulfillment of vital needs of the people of the
14 United States.

15 (b) The procurement of petroleum and petroleum prod-
16 ucts under this Act shall, to the maximum extent practicable,
17 be made from petroleum sources outside the United States;
18 and, in furnishing commodities under the provisions of this
19 Act, the Administrator shall take fully into account the
20 present and anticipated world shortage of petroleum and its
21 products and the consequent undesirability of expansion in
22 petroleum-consuming equipment where the use of alternate
23 fuels or other sources of power is practicable.

24 (c) In procuring from sources within the United States

1 any agricultural commodity not in short supply in the
2 United States for transfer by relief grant to any participating
3 country in accordance with the requirements of such country,
4 the Administrator shall, insofar as practicable and where in
5 furtherance of the purposes of this Act, provide for the pro-
6 curement of an amount of each class or type of any such
7 commodity in approximate proportion to the total exportable
8 supply of such class or type of such commodity.

9 REIMBURSEMENT TO GOVERNMENT AGENCIES

10 SEC. 13. (a) The Administrator shall make reimburse-
11 ment or payment, out of funds available for the purposes of
12 this Act, for any commodity, service, or facility procured
13 under section 11 of this Act from any department, agency,
14 or establishment of the Government. Such reimbursement
15 or payment shall be made to the owning or disposal agency,
16 as the case may be, at replacement cost, or, if required by
17 law, at actual cost, or at any other price authorized by law
18 and agreed to between the Administrator and such agency.
19 The amount of any reimbursement or payment to an owning
20 agency for commodities, services, or facilities so procured
21 shall be credited to current applicable appropriations, funds,
22 or accounts from which there may be procured replacements
23 of similar commodities or such services or facilities: *Pro-*
24 *vided*, That such commodities, services, or facilities may be

1 procured from an owning agency only with the consent of
2 such agency: *And provided further*, That where such appro-
3 priations, funds, or accounts are not reimbursable except by
4 reason of this subsection, and when the owning agency de-
5 termines that replacement of any commodity procured under
6 authority of this section is not necessary, any funds received
7 in payment therefor shall be covered into the Treasury as
8 miscellaneous receipts.

9 (b) The Administrator, whenever in his judgment the
10 interests of the United States will best be served thereby,
11 may dispose of any commodity procured out of funds made
12 available for the purposes of this Act, in lieu of transferring
13 such commodity to a participating country; (1) by trans-
14 fer of such commodity, upon reimbursement, to any depart-
15 ment, agency, or establishment of the Government for use
16 or disposal by such department, agency, or establishment
17 as authorized by law; or (2) without regard to provisions
18 of law relating to the disposal of Government-owned prop-
19 erty, when necessary to prevent spoilage or wastage of such
20 commodity or to conserve the usefulness thereof. Funds
21 realized from such disposal or transfer shall revert to the
22 respective appropriation or appropriations out of which funds
23 were expended for the procurement of such commodity.

INTERNATIONAL DIVISION

RECONSTRUCTION FINANCE CORPORATION

SEC. 14. (a) Section 4 (c) of the Reconstruction Finance Corporation Act, as amended, is amended (1) by striking out "\$2,000,000,000" and inserting in lieu thereof "\$5,000,000,000", and (2) by striking out the period at the end thereof and inserting in lieu thereof a comma and the following: "of which \$3,000,000,000 shall be available for obligation only by the International Division established pursuant to section 4A of this Act".

(b) The Reconstruction Finance Corporation Act, as amended, is amended by inserting therein, immediately following section 4 thereof, the following new section:

"SEC. 4A. (a) There is hereby established within the Corporation an International Division (referred to hereinafter in this section as the "Division"), which shall be headed by an Executive Director who, upon the recommendation of the Board of Directors of the Reconstruction Finance Corporation, shall be appointed by the President, by and with the advice and consent of the Senate, and who shall receive compensation at the rate of \$20,000 per annum.

"(b) The Division shall, notwithstanding any other provision of law to the contrary, have as working capital such

1 sums as shall be furnished to it through the issuance of
2 obligations of the Corporation, in an aggregate amount not
3 in excess of \$3,000,000,000, to the Secretary of the Treasury
4 pursuant to section 7 of this Act. There is hereby established
5 on the books of the Treasury of the United States a fund
6 to be known as the International Reconstruction Fund (re-
7 ferred to hereinafter in this section as the "Fund"), in which
8 such sums and all other receipts of the Division shall be
9 deposited. Disbursements from the Fund shall be made upon
10 certificates executed by the Executive Director of the Divi-
11 sion and approved by the board of directors of the
12 Corporation.

13 “(c) Subject to the provisions of this section, the
14 applicable provisions of the International Relief and Recon-
15 struction Act of 1948, and such rules and regulations as
16 may be prescribed thereunder by the board of directors of
17 the Corporation, the Division—

18 “(1) may from time to time purchase (within the
19 limits of the unobligated balance standing to its credit
20 in the Fund), hold, and sell preferred stock in any
21 foreign reconstruction finance corporation established in
22 compliance with the requirements of the International
23 Relief and Reconstruction Act of 1948;

1 “(2) shall make payment for preferred stock so
2 purchased through the establishment upon its books of
3 a credit in favor of such foreign reconstruction finance
4 corporation in the amount of the par value, in legal
5 tender of the United States, of the stock so purchased;

6 “(3) may receive, deposit in the Fund, and credit
7 to any foreign reconstruction finance corporation such
8 sums as such corporation may transmit to the Division
9 for deposit to its credit;

10 “(4) shall honor and certify for payment from the
11 Fund drafts drawn from time to time by each such
12 foreign reconstruction finance corporation upon such
13 sums as may stand to its credit upon the books of the
14 Division;

15 “(5) shall designate from time to time, from among
16 citizens of the United States, the directors upon the
17 board of each such foreign reconstruction finance cor-
18 poration which the Division is entitled to select;

19 “(6) shall receive dividends paid upon stock held
20 by the Division in any such foreign reconstruction finance
21 corporation, and shall exercise all other rights and
22 privileges to which it is entitled by reason of the owner-
23 ship of such stock;

1 “(7) shall receive the proceeds of the sale or retire-
2 ment of any such stock;

3 “(8) may engage in foreign exchange transactions;
4 and

5 “(9) shall transmit quarterly through the board of
6 directors of the Corporation to the Congress a detailed
7 report of the status of each of its investments in any
8 foreign reconstruction finance corporation, and the
9 activities of each such corporation.

10 “(d) Upon the establishment of any foreign recon-
11 struction finance corporation in compliance with the ap-
12 plicable terms of the International Relief and Reconstruction
13 Act of 1948, after the execution pursuant to section 17 of
14 such Act of an agreement between the United States and
15 the government of the participating country creating such
16 corporation, the Division—

17 “(1) may purchase shares of the preferred stock
18 issued by such corporation, in an amount not in excess
19 of the ratio limitations under subsection (a) of section 2
20 of this Act; and

21 “(2) shall discontinue such purchases, and proceed
22 to liquidate to the best advantage of the Division its
23 prior investment therein, (A) when the Division shall
24 determine that funds of such foreign reconstruction
25 Finance Corporation have been used or loaned for pur-

1 poses or subject to terms not in full compliance with
2 the agreement executed under section 17 of the Inter-
3 national Relief and Reconstruction Act of 1948 between
4 the United States and the government of the participat-
5 ing country in which such corporation was established,
6 or (B) upon the expiration of ten years from the date
7 of enactment of the International Relief and Reconstruc-
8 tion Act of 1948, whichever is earlier.

9 “(e) The board of directors of the Corporation shall—

10 “(1) formulate plans and policies to carry into
11 effect this section and the International Relief and Re-
12 construction Act of 1948;

13 “(2) in consultation with the Secretary of State,
14 determine the nature of the provisions to be incorporated
15 on behalf of the United States in agreements executed
16 pursuant to section 17 of the International Relief and
17 Reconstruction Act of 1948;

18 “(3) upon application of any foreign reconstruc-
19 tion finance corporation, determine whether such cor-
20 poration has been organized in compliance with the
21 provisions of such Act;

22 “(4) upon an affirmative determination of such
23 question, certify such corporation as being qualified for
24 investment therein by the Division;

25 “(5) determine from time to time whether each

1 foreign reconstruction finance corporation in which the
2 Division holds preferred stock has been operated in full
3 compliance with the provisions of such Act;

4 “(6) determine policies under which the Division
5 shall buy, hold, and sell preferred stock in any foreign
6 reconstruction finance corporation; and

7 “(7) transmit to the Congress from time to time
8 its recommendations for further legislation deemed nec-
9 essary or appropriate to effectuate the purposes of this
10 section and the International Relief and Reconstruction
11 Act of 1948.

12 SEC. 15. Each foreign reconstruction finance corpora-
13 tion shall be organized under a charter or articles of in-
14 corporation under which—

15 (a) it is established as a body corporate governed
16 by a board of directors and administered by officers
17 elected by the board;

18 (b) so long as any of its preferred stock shall be
19 held by the Division, it shall have a board of directors
20 consisting of seven members, of which (1) the chair-
21 man shall be designated by the national government
22 of the participating country, (2) three members shall
23 be designated by the Division, and (3) three members
24 shall be elected by the holders of its common stock;

25 (c) it shall have an authorized capital stock con-

sisting of such number of transferrable preferred shares (each having a par value of \$100 in legal tender of the United States) as shall have been approved by the Division and a like number of transferrable common shares;

(d) it shall—

(1) issue each share of common stock initially only to the government or nationals of such participating country;

(2) issue each share of preferred stock initially only to the Division;

(3) issue no number of shares of preferred stock in excess of the number of shares of common stock theretofore issued and sold;

(4) issue no share of preferred or common stock which does not entitle its holder to receive dividends thereon payable in legal tender of the United States or, with the consent of the Division, in legal tender of the participating country within which such corporation was established, at such rate of exchange as shall be determined from time to time by the Board of Directors of the Reconstruction Finance Corporation;

(5) issue no share of preferred stock which does not provide for its retirement beginning at

1 the end of ten years from the date of enactment
2 of this Act under a retirement schedule approved by
3 the Board of Directors of Reconstruction Finance
4 Corporation by the payment to the holder thereof
5 from the funds of such corporation of the par
6 value thereof, together with its pro rata share
7 of accumulated surplus, in legal tender of the United
8 States or, with the consent of the Division, in
9 legal tender of the participating country within
10 which such corporation was established, at such
11 rate of exchange as shall be determined from time
12 to time by Board of Directors of the Reconstruction
13 Finance Corporation; and

14 (6) issue no share of stock of either class except
15 upon receipt, by payment into its treasury or by
16 credit to its account upon the books of the Division,
17 of \$100 in legal tender of the United States;

18 (e) it shall have power—

19 (1) to adopt, alter, and use a corporate seal,
20 which shall be judicially recognized;

21 (2) through its board of directors, to prescribe,
22 amend, and repeal bylaws, rules, and regulations
23 (not inconsistent with the provisions of this section)
24 governing the manner in which its business shall
25 be conducted and its powers exercised;

1 (3) to make contracts;

2 (4) to lease, purchase, sell, or otherwise dispose
3 of such real estate as may be necessary for the trans-
4 action of its business;

5 (5) to sue and be sued, to complain and defend,
6 in any court of competent jurisdiction;

7 (6) to select, employ, and fix the compensa-
8 tion of such officers, employees, experts, technicians,
9 attorneys, and agents as shall be necessary for the
10 transaction of its business;

11 (7) subject to the provisions of this section, to
12 determine, by its board of directors, the necessity
13 for and the character and amount of its obligations
14 and expenditures, and the manner in which they
15 shall be incurred, allowed, paid, and accounted for;

16 (8) to engage in foreign exchange transac-
17 tions;

18 (9) to establish within the participating coun-
19 try such agencies or branch offices as may be
20 necessary for the execution of its powers; and

21 (10) to create and control subsidiary corpora-
22 tions organized under the laws of the participating
23 country when necessary for the execution of its
24 powers;

25 (f) it shall have power, within the limits of un-

obligated funds available to it (including such funds standing to its credit on the books of the Division) and subject to the limitations specified in section 15 (g) of this Act, to purchase interest-bearing obligations of and to make interest-bearing loans (directly or in cooperation with banks or other lending institutions through agreements to participate, or by the purchase of participations or otherwise) to—

(1) private individuals, private corporations, and private associations within the participating country;

(2) private banks, mortgage-holding agencies, and insurance companies within such country; and

(3) political subdivisions of such country;

(g) it shall not—

(1) make any loan to, or purchase any obligation of, any individual, organization, or public or private entity other than those specified in section 15 (f) of this Act;

(2) make any loan or purchase any obligation unless in the judgment of its board of directors the making of such loan or the purchase of such obligation will directly promote the increase of industrial or agricultural production within the participating country;

1 (3) extend any financial assistance by loan or
2 otherwise unless the financial assistance applied for
3 is not otherwise available on reasonable terms;

4 (4) purchase any obligation unless it shall be
5 of such sound value or so secured as reasonably to
6 assure its retirement;

7 (5) make any loan except upon such security
8 as reasonably will assure its repayment;

9 (6) make any loan for a period in excess of
10 forty years, or purchase any obligation which will
11 not mature within forty years from the date of its
12 purchase;

13 (7) make any loan to any political subdivision
14 of any national government or purchase any obliga-
15 tion thereof (A) for the purpose of enabling such
16 political subdivision to finance ordinary govern-
17 mental or nonproject expenses, as distinguished from
18 purchases and loans to aid in financing specific
19 public projects, or (B) for the acquisition of any
20 existing industry or utility or any unit thereof, but
21 this paragraph shall not be deemed to prevent the
22 making of loans or the purchase of obligations for
23 the purpose of enabling any such political sub-
24 division to construct any new public utility;

25 (8) permit the payment of any fee or commis-

1 sion by any applicant for financial assistance in
2 connection with any such application;

3 (9) permit any director, officer, attorney,
4 agent, or employee of such foreign reconstruction
5 finance corporation to participate in any manner,
6 directly or indirectly, in the deliberation upon or in
7 the determination of any question affecting his per-
8 sonal interests, or the interests of any corporation,
9 partnership, association, or other public or private
10 entity of which he is a member or is directly or in-
11 directly interested; or

12 (10) after the expiration of ten years from the
13 date of enactment of this Act make any loan or
14 purchase any obligation unless all preferred stock in
15 such foreign reconstruction finance corporation pur-
16 chased by the Division shall have been (A) retired
17 by such foreign reconstruction finance corporation
18 by the payment of the par value of such stock,
19 together with its pro rata share of accumulated
20 surplus thereon, to such Division, or (B) sold by
21 such Division to other holders of record;

22 (h) it shall have the power to furnish technical
23 assistance to aid in increasing the industrial and agricul-
24 tural production of the participating country and, with
25 the consent of the Division so long as it shall hold any

1 preferred stock therein, to perform such other functions
2 as will contribute effectively to the promotion of indus-
3 trial and agricultural production within the participating
4 country;

5 (i) it shall be expressly prohibited from incurring,
6 without first obtaining the consent of the Division so
7 long as it shall hold any preferred stock in such foreign
8 reconstruction finance corporation, any bonded or other
9 indebtedness which would impair the equity of such
10 Division in the assets of such foreign reconstruction
11 finance corporation;

12 (j) its property (including its franchise, capital,
13 reserves, surplus, income, and those of any other public
14 or private corporation, firm, or enterprise wholly
15 financed or managed by it) and that of the Division
16 shall be exempt from all taxation of any kind imposed
17 by the national government of the participating country,
18 or by any political subdivision thereof, except that real
19 property owned by such foreign reconstruction finance
20 corporation may be subject to special assessments for
21 local improvements and to real estate taxation to the
22 same extent according to its value as other real estate
23 of like character situated in the same locality is taxed;
24 and

25 (k) it shall transmit quarterly to the Division a

1 report of its operations (containing such information,
2 including detailed accounts of its financial transactions,
3 as such Division shall request) so long as such Division
4 shall hold any preferred stock thereof.

5 AUTHORIZATION OF APPROPRIATIONS

6 SEC. 16. (a) Notwithstanding the provisions of any
7 other law, the Reconstruction Finance Corporation is author-
8 ized and directed, until such time as an appropriation shall
9 be made pursuant to subsection (c) of this section, to make
10 advances not to exceed in the aggregate \$500,000,000 to
11 carry out the relief provisions of this Act, in such manner,
12 at such time and in such amounts as the President shall
13 determine, and no interest shall be charged on advances
14 made by the Treasury to the Reconstruction Finance Cor-
15 poration for this purpose. The Reconstruction Finance
16 Corporation shall be repaid without interest from appro-
17 priations authorized under this Act for advances made by
18 it hereunder.

19 (b) Such part as the President may determine of the
20 unobligated and unexpended balances of appropriations or
21 other funds available for the purposes of the Foreign Aid
22 Act of 1947 shall be available for the purpose of carry-
23 ing out the relief program of this Act.

24 (c) In order to carry out the relief provisions of this
25 Act with respect to those participating countries which ad-

1 here to the purposes of this Act, and remain eligible to re-
2 ceive relief assistance hereunder, there are hereby authorized
3 to be appropriated to the President, from time to time
4 through June 30, 1952, out of any money in the Treasury
5 not otherwise appropriated, such sums as may be necessary
6 to carry out the relief provisions and accomplish the pur-
7 poses of this Act: *Provided, however,* That for carrying out
8 the relief provisions and accomplishing the purposes of this
9 Act for the period of one year following the date of enact-
10 ment of this Act, there are hereby authorized to be so appro-
11 priated not to exceed \$2,000,000,000.

12 (d) Funds made available for the relief purposes of this
13 Act shall be available for incurring and defraying all neces-
14 sary expenses incident to carrying out the relief provisions
15 of this Act, including administrative expenses and expenses
16 for compensation, allowances and travel of personnel, includ-
17 ing Foreign Service personnel whose services are utilized
18 primarily for the relief purposes of this Act, and, without
19 regard to the provisions of any other law, for printing and
20 binding, and for expenditures outside the continental limits
21 of the United States for the procurement of supplies and
22 services and for other administrative purposes (other than
23 compensation of personnel) without regard to such laws and
24 regulations governing the obligation and expenditure of gov-
25 ernment funds, as the Administrator shall specify in the

1 interest of the accomplishment of the relief purposes of this
2 Act.

3 (e) The unexpended portions of any deposits which
4 may have been made by any participating country pursuant
5 to section 6 of the joint resolution providing for relief as-
6 sistance to the people of countries devastated by war (Public
7 Law 84, Eightieth Congress) and section 5 (b) of the
8 Foreign Aid Act of 1947 (Public Law 389, Eightieth Con-
9 gress) may be merged with the deposits to be made by such
10 participating country in accordance with section 17 (b)
11 (6) of this Act, and shall be held or used under the same
12 terms and conditions as are provided in section 17 (b) (6)
13 of this Act.

14 (f) In order to reserve some part of the surplus of
15 the fiscal year 1948 for payments thereafter to be made for
16 relief purposes under this Act, there is hereby created on
17 the books of the Treasury of the United States a trust fund
18 to be known as the International Relief Trust Fund. Not-
19 withstanding any other provision of law, an amount of
20 \$2,000,000,000, out of sums appropriated pursuant to the
21 authorization contained in this Act shall, when appropriated,
22 be transferred immediately to the trust fund, and shall there-
23 upon be considered as expended during the fiscal year 1948,
24 for the purpose of reporting governmental expenditures. The
25 Secretary of the Treasury shall be the sole trustee of the

1 trust fund and is authorized and directed to pay out of the fund
2 such amounts as the Administrator shall duly requisition.
3 The first expenditures made out of the appropriations author-
4 ized under this Act in the fiscal year 1949 shall be made
5 with funds requisitioned by the Administrator out of the
6 trust fund until the fund is exhausted, at which time such
7 fund shall cease to exist. The provisions of this subsection
8 shall not be construed as affecting the application of any pro-
9 vision of law which would otherwise govern the obligation
10 of funds so appropriated or the auditing or submission of
11 accounts of transactions with respect to such funds.

12 BILATERAL AND MULTILATERAL UNDERTAKINGS

13 SEC. 17. (a) The Secretary of State, after consultation
14 with the Administrator and Chairman of the Board of Di-
15 rectors of the Reconstruction Finance Corporation is author-
16 ized to conclude, with individual participating countries or
17 any number of such countries or with an organization repre-
18 senting any such countries, agreements in furtherance of the
19 purposes of this Act.

20 (b) The provision of relief assistance and reconstruc-
21 tion assistance under this Act results from the multilateral
22 pledges of the participating countries to use all their efforts
23 to accomplish a joint recovery program based upon self-help
24 and mutual cooperation as embodied in the report of the
25 Committee of European Economic Cooperation signed at

1 Paris on September 22, 1947, and is contingent upon con-
2 tinuous effort of the participating countries to accomplish a
3 joint recovery program through multilateral undertakings
4 and the establishment of a continuing organization for this
5 purpose. In addition to continued mutual cooperation of the
6 participating countries in such a program, each such country
7 shall conclude an agreement with the United States in order
8 for such country to be eligible to receive either type of
9 assistance or both under this Act. Such agreement shall
10 provide for the adherence of such country to the purposes
11 of this Act and shall, where applicable, make appropriate
12 provision, among others, to provide for the establishment
13 within such country under its laws of a foreign reconstruc-
14 tion finance corporation which will fulfill the requirements
15 specified in section 15 of this Act and for—

16 (1) promoting industrial and agricultural produc-
17 tion in order to enable such country to become inde-
18 pendent of extraordinary outside economic assistance;
19 and submitting for the approval of the Executive Direc-
20 tor of the International Division of the Reconstruction
21 Finance Corporation (which division is referred to here-
22 inafter as “the Division”), upon his request and when-
23 ever he deems it in furtherance of the purposes of this
24 Act, specific projects proposed by such country to be
25 undertaken in substantial part with reconstruction as-

1 sistance furnished under this Act, which projects,
2 whenever practicable, shall include projects for increased
3 production of coal, steel, transportation facilities, and
4 food;

5 (2) taking financial and monetary measures neces-
6 sary to stabilize its currency, establish and maintain a
7 valid rate of exchange, to balance its governmental
8 budget as soon as practicable, and generally to restore
9 and maintain confidence in its monetary system;

10 (3) cooperating with other participating countries
11 in facilitating and stimulating an increasing interchange
12 of goods and services among the participating countries
13 and with other countries and cooperating to reduce
14 barriers to trade among themselves and with other
15 countries;

16 (4) making efficient and practical use, within the
17 framework of a joint program for world recovery, of
18 the resources of such participating country, including
19 any assistance furnished under this Act, which use shall
20 include, to the extent practicable, taking measures to
21 locate and control, in furtherance of such program,
22 assets, and earnings therefrom, which belong to the
23 citizens of such country and which are situated within
24 the United States, its Territories and possessions;

25 (5) facilitating the transfer to the United States

1 by sale, exchange, barter, or otherwise for stock-piling
2 purposes, for such period of time as may be agreed to
3 and upon reasonable terms and in reasonable quantities,
4 of materials which are required by the United States as
5 a result of deficiencies or potential deficiencies in its
6 own resources, and which may be available in such
7 participating country after due regard for reasonable
8 requirements for domestic use and commercial export
9 of such country; and

10 (6) placing in a special account a deposit in the
11 currency of such country, in commensurate amounts and
12 under such terms and conditions as may be agreed to
13 between such country and the Government of the United
14 States, when any commodity or service is made avail-
15 able through relief assistance authorized under this Act,
16 and is not furnished to the participating country on
17 terms of payment. Such special account, together with
18 the unexpended portions of any deposits which may
19 have been made by such country pursuant to section 6
20 of the joint resolution providing for relief assistance to
21 the people of countries devastated by war (Public Law
22 84, Eightieth Congress) and section 5 (b) of the For-
23 eign Aid Act of 1947 (Public Law 389, Eightieth Con-
24 gress), shall be held or used only for such purposes as
25 may be agreed to between such country and the Ad-

1 administrator in consultation with the National Advisory
2 Council on International Monetary and Financial Prob-
3 lems, and under agreement that any unencumbered bal-
4 ance remaining in such account on June 30, 1952, will
5 be disposed of within such country for such purposes as
6 may, subject to approval by Act or joint resolution of
7 the Congress, be agreed to between such country and
8 the Government of the United States;

9 (7) publishing in such country and transmitting to
10 the United States, not less frequently than every calen-
11 dar quarter after the date of the agreement, full state-
12 ments of operations under the agreement, including a
13 report of the use of commodities and services received
14 under this Act; and

15 (8) furnishing promptly, upon request of the
16 United States, any relevant information which would be
17 of assistance to the United States in determining the
18 nature and scope of operations provided under this Act
19 and in determining whether such participating country
20 or Foreign Reconstruction Finance Corporation has fully
21 complied with the terms of such agreement.

22 (c) Notwithstanding the provisions of subsection (b)
23 of this section, the Administrator, during the three months
24 after the date of enactment of this Act, may perform with
25 respect to any participating country any of the functions

1 authorized under this Act by him to be performed and which
2 he may determine to be essential in furtherance of the relief
3 purposes of this Act, if such country (1) has signified its
4 adherence to the relief purposes of this Act and its intention
5 to conclude an agreement pursuant to subsection (b) of this
6 section, and (2) he finds that such country is complying
7 with the applicable provisions of subsection (b) of this
8 section: *Provided*, That, notwithstanding the provisions of
9 this subsection, the Administrator may, through June 30,
10 1948, provide for the transfer of food, medical supplies,
11 fibers, fuel, petroleum and petroleum products, and seed to
12 any country which participates in the Committee of European
13 Economic Cooperation and which undertakes pledges to the
14 other participants therein, when the Administrator deter-
15 mines that the transfer of any such supplies to any such
16 country is essential in order to make it possible to carry out
17 the purposes of this Act by alleviating conditions of hunger
18 and cold and by preventing serious economic retrogression.

19 (d) The Administrator shall encourage the joint organ-
20 ization of the participating countries referred to in subsection
21 (b) of this section to insure that each participating country
22 makes efficient use of the resources of such country, including
23 any commodities, facilities, or services furnished under this
24 Act, by observing and reviewing such use through an effec-
25 tive follow-up system approved by the joint organization.

TERMINATION OF RELIEF ASSISTANCE

SEC. 18. The Administrator, in determining the form and measure of relief assistance provided under this Act to any participating country, shall take into account the extent to which such country is complying with its undertakings embodied in its pledges to other participating countries and in its agreement concluded with the United States under section 17. The Administrator shall terminate the provision of relief assistance under this Act to any participating country whenever he determines that (1) such country is not adhering to its agreement concluded under section 17, or is diverting from the purposes of this Act assistance provided hereunder, and that in the circumstances remedial action other than termination will not more effectively promote the purposes of this Act or (2) because of changed conditions, relief assistance is no longer consistent with the national interest of the United States.

EXEMPTION FROM CONTRACT AND ACCOUNTING LAWS

SEC. 19. When the President determines it to be in furtherance of the relief purposes of this Act, the functions authorized under this Act with respect to relief assistance may be performed without regard to such provisions of law regulating the making, performance, amendment, or modification of contracts and the expenditure of Government funds as the President may specify.

1 EXEMPTION FROM CERTAIN FEDERAL LAWS RELATING TO
2 EMPLOYMENT

3 SEC. 20. Service of an individual as a member of the
4 Public Advisory Board (other than the Administrator)
5 created by section 7 (a), as a member of an advisory com-
6 mittee appointed pursuant to section 7 (b), as an expert
7 or consultant under section 4 (d), or as an expert, con-
8 sultant, or technician under section 24 (d), shall not be
9 considered as service or employment bringing such indi-
10 vidual within the provisions of sections 109 or 113 of the
11 Criminal Code (U. S. C., title 18, secs. 198 and 203),
12 of section 190 of the Revised Statutes (U. S. C., title 5,
13 sec. 99), or of section 19 (e) of the Contract Settlement
14 Act of 1944, or of any other Federal law imposing restric-
15 tions, requirements, or penalties in relation to the employ-
16 ment of persons, the performance of services, or the pay-
17 ment or receipt of compensation in connection with any
18 claim, proceeding, or matter involving the United States.

19 UNITED NATIONS

20 SEC. 21. (a) The President is authorized to request the
21 cooperation of or the use of the services and facilities of the
22 United Nations, its organs and specialized agencies, or other
23 international organizations, in carrying out the purposes of
24 this Act, and may make payments, by advancements or
25 reimbursements, for such purpose, out of funds made avail-

1 able for the purposes of this Act, as may be necessary there-
2 for, to the extent that special compensation is usually re-
3 quired for such services and facilities.

4 (b) The President shall cause to be transmitted to the
5 Secretary General of the United Nations copies of reports
6 to Congress on the operations conducted under this Act.

7 (c) Any agreements concluded between the United
8 States and participating countries, or groups of such coun-
9 tries, in implementation of the purposes of this Act, shall
10 be registered with the United Nations if such registration
11 is required by the Charter of the United Nations.

12 TERMINATION OF PROGRAM

13 SEC. 22. (a) After June 30, 1952, or after the date
14 of the passage of a concurrent resolution by the two Houses
15 of Congress before such date, which declares that the powers
16 conferred on the Administrator by or pursuant to subsection
17 (a) of section 11 of this Act are no longer necessary for
18 the accomplishment of the relief purposes of this Act, which-
19 ever shall first occur, none of the functions authorized under
20 such provisions with respect to relief assistance may be exer-
21 cised; except that during the twelve months following such
22 date commodities and services with respect to which the
23 Administrator had, prior to such date, authorized procure-
24 ment for, shipment to, or delivery in a participating country,
25 may be transferred to such country, and funds appropriated

1 under authority of this Act may be obligated during such
2 twelve-month period for the necessary expenses of procure-
3 ment, shipment, delivery, and other activities essential to
4 such transfer, and shall remain available during such period
5 for the necessary expenses of liquidating relief operations
6 under this Act unless such transfer be against the best interest
7 of the United States and its foreign policy.

8 (b) At such time as the President shall find appropriate
9 after such date, and prior to the expiration of the twelve
10 months following such date, the powers, duties, and au-
11 thority of the Administrator under this Act may be trans-
12 ferred to such other departments, agencies, or establishments
13 of the Government as the President shall specify, and the
14 relevant funds, records, and personnel of the Administration
15 may be transferred to the departments, agencies, or estab-
16 lishments to which the related functions are transferred.

17 REPORTS TO CONGRESS

18 SEC. 23. The President from time to time, but not less
19 frequently than once every calandar quarter through June
20 30, 1952, and once every year thereafter until all operations
21 under this Act have been completed, shall transmit to the
22 Congress a report of operations under this Act. Reports
23 provided for under this section shall be transmitted to the
24 Secretary of the Senate or the Clerk of the House of Repre-

1 sentatives, as the case may be, if the Senate or the House
2 of Representatives, as the case may be, is not in session.

3 JOINT CONGRESSIONAL COMMITTEE

4 SEC. 24. (a) There is hereby established a joint con-
5 gressional committee to be known as the Joint Committee
6 on International Relief and Reconstruction (hereinafter re-
7 ferred to as the committee), and to be composed of seven
8 Members of the Senate to be appointed by the President
9 of the Senate, and seven Members of the House of Repre-
10 sentatives to be appointed by the Speaker of the House.
11 In each instance, not more than four members shall be
12 members of the same political party. A vacancy in the
13 membership of the committee shall be filled in the same
14 manner as the original selection. The President of the
15 Senate and the Speaker of the House, acting jointly, shall
16 appoint a chairman and a vice chairman from among the
17 members of the committee.

18 (b) It shall be the function of the committee to make
19 a continuous study of the programs for relief and economic
20 assistance to foreign countries, and to review the progress
21 achieved in the execution and administration of such pro-
22 grams. Upon request, the committee shall aid the several
23 standing committees of the Congress having legislative juris-
24 diction over any part of the programs for relief and economic
25 assistance to foreign countries; and it shall make a report

1 to the Senate and the House of Representatives, from time
2 to time, concerning the results of its studies, together with
3 such recommendations as it may deem desirable. The Ad-
4 ministrator and the Chairman of the Board of Directors of
5 the Reconstruction Finance Corporation at the request of
6 the committee, shall consult with the committee from time
7 to time with respect to their activities under this Act.

8 (c) The committee, or any duly authorized subcom-
9 mittee thereof, is authorized to hold such hearings, to sit
10 and act at such times and places, to require by subpoena or
11 otherwise the attendance of such witnesses and the produc-
12 tion of such books, papers, and documents, to administer
13 such oaths, to take such testimony, to procure such printing
14 and binding, and to make such expenditures as it deems
15 advisable. The cost of stenographic services to report such
16 hearings shall not be in excess of 25 cents per hundred
17 words. The provisions of sections 102 to 104, inclusive, of
18 the Revised Statutes shall apply in case of any failure of
19 any witness to comply with any subpoena or to testify when
20 summoned under authority of this subsection.

21 (d) The committee is authorized to appoint and, with-
22 out regard to the Classification Act of 1923, as amended, fix
23 the compensation of such experts, consultants, technicians,
24 and organizations thereof, and clerical and stenographic as-
25 sistants as it deems necessary and advisable.

1 (e) There are hereby authorized to be appropriated
2 such sums as may be necessary to carry out the provisions of
3 this section, to be disbursed by the Secretary of the Senate
4 on vouchers signed by the chairman.

5 SEPARABILITY CLAUSE

6 SEC. 25. If any provision of this Act or the application
7 of such provision to any circumstances or persons shall be
8 held invalid, the validity of the remainder of the Act and
9 the applicability of such provision to other circumstances or
10 persons shall not be affected thereby.

AMENDMENT

(IN THE NATURE OF A SUBSTITUTE)

Intended to be proposed by Mr. CAPHART to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 9 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

IN THE SENATE OF THE UNITED STATES

MARCH 9 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

Mr. MYERS submitted the following

AMENDMENT

Intended to be proposed by Mr. MAGNUSON to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: At the proper place in the bill insert the following:

- 1 (c) Any United States agricultural commodity found
- 2 by the Secretary of Agriculture to be in excess of domestic
- 3 requirements and approved by the Administrator as appro-
- 4 priate for use in furtherance of the purposes of this Act shall
- 5 be procured for such purposes, and where possible such

1 procurement shall be through normal channels of private
2 trade. The determination as to kinds and quantities of such
3 commodities to be procured shall be based upon the needs
4 of participating countries as expressed in reports of the
5 Committee of European Economic Cooperation, the extent
6 of the domestic United States surplus of any such commodity,
7 and/or the historic reliance of United States growers of any
8 such commodity upon markets in participating countries,
9 and insofar as practicable and applicable the Administrator
10 shall procure an amount of each class or type of any such
11 commodity in approximate proportion to the total exportable
12 supply of such class or type of such commodity. Notwith-
13 standing any other provision of law, any such commodity
14 acquired at any time by Commodity Credit Corporation
15 under any price support program shall be used in further-
16 ance of the purposes of this Act or any other act providing
17 for assistance to foreign countries and shall be disposed
18 of by Commodity Credit Corporation for such purposes
19 at a price negotiated under section 13 (a) of this Act,
20 which price shall be not less than 50 per centum of the
21 actual cost of such commodity to Commodity Credit Cor-
22 poration. Within thirty days after the end of each calendar
23 quarter Commodity Credit Corporation shall report to the
24 Congress and the Secretary of the Treasury the difference
25 between its costs in acquisition and returns upon disposition

1 of commodities used under this section, and the Secretary of
2 the Treasury is hereby authorized and directed to cancel
3 notes of Commodity Credit Corporation held by him in an
4 amount equal to such difference.

AMENDMENT

Intended to be proposed by Mr. MAGNUSON to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 9 (legislative day, FEBRUARY 2), 1948
Ordered to lie on the table and to be printed

CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued March 11, 1948
For actions of March 10, 1948
80th-2nd, No. 45

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HIGHLIGHTS: Senate debated ERP bill.

SENATE

1. EUROPEAN RECOVERY PROGRAM. Continued debate on S. 2202, the ERP bill (pp. 2531-54). Rejected the Taylor amendment to provide aid through UN, etc., by a 74-3 vote (pp. 2531-44). Agreed to the Brewster amendment to remove authority for chartering ships to participating countries (pp. 2544-5). Agreed to the George amendment requiring that private channels be used to the maximum extent consistent with accomplishing the purposes of the bill (pp. 2553-4). Agreed to the Cooper amendment requiring the President to encourage all Western Hemisphere countries to make available to participating countries such assistance as they may be able to furnish (p. 2554).

The following amendments are among those which are intended to be proposed to the bill: By Sen. Magnuson, Wash., to provide for use of surplus agricultural commodities under the bill, at prices not less than 50% of the cost price to CCC, with the Treasury Department cancelling CCC notes for its losses in the transactions. By Sen. Thyne, Minn., requiring use of surplus commodities to the maximum extent practicable, at prices sufficient to reimburse CCC for cost, upon the recommendation of the Secretary of Agriculture, with the President deciding any differences between USDA and other departments. By Sen. Reed, Kans., to provide for use of private channels in grain shipments, and to require that at least 50% of the wheat shipments be in the form of flour. By Sen. George, Ga., to require procurement of agricultural commodities in the U. S. when there is an exportable surplus of any commodity shipped under the bill.

2. NOMINATIONS. Received the nomination of John J. Deviny to be Public Printer (p. 2554).

3. R.F.C. EXTENSION. The Banking and Currency Committee reported without amend-

ment S. 2287, to extend the powers of the RFC to June 30, 1958 (S.Rept. 974) (p. 2530).

4. OLEOMARGARINE TAXES. Received a Kansas Inter-Breed Dairy Cattle Council resolution opposing oleomargarine-tax repeal (pp. 2529-30).

HOUSE

5. EXPORT CONTROLS. The Rules Committee reported a resolution for the consideration of H.R. 5470, to remove price criteria as a factor in granting export licenses (pp. 2591, 2596).
6. HOUSING. The Rules Committee reported H.Con.Res. 155, to continue the Joint Committee on Housing until June 30, 1948 (pp. 2591, 2596).
7. TRANSPORTATION. The "Daily Digest" states that the Merchant Marine and Fisheries Committee ordered favorably reported (but did not actually report) S.J.Res. 172 and H.J. Res. 338, to continue until Dec. 15, 1948, authorization for Canadian vessels to transport iron ore between U.S. ports on the Great Lakes (pp. D222-3).

BILLS INTRODUCED

8. RECLAMATION. S. 2286, by Sen. Hatch, N.Mex. (for himself and Sen. Chavez, N.Mex.), to provide for nonreimbursable allocations on the Carlsbad Federal reclamation project. To Interior and Insular Affairs Committee. (p. 2530.)
9. R.F.C. EXTENSION. S. 2287, by Sen. Bush, Del., to extend the powers of the RFC until June 30, 1958. Placed on the calendar. Remarks of author. (p. 2530.)
10. PERSONNEL. H.R. 5801, by Rep. Lane, Mass., to authorize the payment of employees of the Bureau of Animal Industry for overtime duty performed at establishments which prepare virus, serum, toxin, or analogous products for use in the treatment of domestic animals. To Post Office and Civil Service Committee. (p. 2596.)
11. VETERANS' BENEFITS. H.R. 5806, by Rep. Cooley, N.C., to extend the veterans' preference benefits to the fathers of certain ex-servicemen and ex-servicewomen. To Post Office and Civil Service Committee. (p. 2596.)
12. ACCOUNTING; PURCHASING. H.R. 5796, by Rep. Case, S.Dak., relating to the functions of the General Accounting Office under the Contract Settlement Act of 1944. To Judiciary Committee. (p. 2596.)

ITEMS IN APPENDIX

13. OLEOMARGARINE TAXES. Rep. Twyman, Ill., inserted his statement before the House Agriculture Committee favoring repeal of oleomargarine taxes (p. A1578).
14. INFLATION. Rep. McConnell, Pa., inserted a constituent's letter stating that "taxes are violently inflationary" (p. A1577).
15. RECLAMATION. Sen. Young, N.Dak., inserted Interior Asst. Secy. Warne's recent address, Report of Progress--Missouri River Basin Project" (pp. A1553-4).
16. FOREIGN AID. Various remarks and insertions on foreign aid (pp. A1562-3, A1563-4, A1564-5, A1566-7, A1569, A1571, A1573, A1576).

issued March 9, 1948, by Senator OVERTON regarding the attitude of the South toward the civil-rights program which appears in the Appendix.]

SENATOR HATCH'S MESSAGE—EDITORIAL FROM THE NASHVILLE TENNESSEAN

[Mr. STEWART asked and obtained leave to have printed in the RECORD an editorial entitled "Senator Hatch's Message," from the Nashville Tennessean of March 6, 1948, which appears in the Appendix.]

JUSTICE FOR POSTMEN—EDITORIAL FROM THE NASHVILLE BANNER

[Mr. STEWART asked and obtained leave to have printed in the RECORD an editorial entitled "Justice for Postmen," from the Nashville Banner of March 5, 1948, which appears in the Appendix.]

HAWAIIAN STATEHOOD—EDITORIAL FROM THE CHESTER TIMES

[Mr. MARTIN asked and obtained leave to have printed in the RECORD an editorial entitled "Question of Hawaiian Statehood," published in the Chester (Pa.) Times of February 21, 1948, which appears in the Appendix.]

THE TAFT-HARTLEY ACT—SUMMARY BY NATIONAL COOPERATIVE MILK PRODUCERS FEDERATION

[Mr. BALL asked and obtained leave to have printed in the RECORD a summary of the Taft-Hartley Act, prepared by the National Cooperative Milk Producers Federation, which appears in the Appendix.]

MEETINGS OF COMMITTEES DURING SENATE SESSIONS

During the course of Mr. TAYLOR's speech, subsequently delivered,

Mr. WHERRY. Mr. President, will the Senator from Idaho yield for two or three unanimous-consent requests, with the understanding that he will not thereby lose the floor?

Mr. TAYLOR. I am happy to yield on the suggestion of my friend the Senator from Nebraska.

Mr. WHERRY. I thank the senior Senator from Idaho for the courtesy. I am sorry to interrupt him, but I wanted the unanimous-consent requests to appear at another place in the RECORD.

Mr. MARTIN. Mr. President, I ask unanimous consent that the Subcommittee on Exports of the Special Committee To Study Problems of American Small Business be permitted to meet this afternoon. There are several witnesses here from the Pacific coast who are anxious to start back tonight.

The PRESIDENT pro tempore. Without objection, the order is made.

Mr. WATKINS. Mr. President, in behalf of the Subcommittee on Indian Affairs of the Committee on Interior and Insular Affairs, I ask unanimous consent that the subcommittee may meet this afternoon. Witnesses are present from a distance, and we should like to continue on with the hearing.

The PRESIDENT pro tempore. Without objection, the order is made.

Mr. TOBEY. Mr. President, I ask unanimous consent that the Senate Committee on Banking and Currency may sit this afternoon and tomorrow during the sessions of the Senate.

The PRESIDENT pro tempore. Without objection, the order is made.

Mr. REED. Mr. President, the Subcommittee of the Senate Appropriations

Committee handling the independent offices bill is trying to get that bill ready for action on the Senate floor at the time when the debate on the ERP bill now before the Senate is concluded. In order to do so, we must work both mornings and afternoons. As chairman of that subcommittee, I ask unanimous consent that we may have the consent of the Senate to sit this afternoon and tomorrow afternoon, if necessary.

The PRESIDENT pro tempore. Without objection, consent is granted.

ORDER OF BUSINESS

Mr. WHERRY. Mr. President, I call the attention of the Members of the Senate to the announcement made at the close of the session last night, about a quarter of seven, with respect to holding sessions of the Senate Thursday night and Friday night.

As I understand, at this time the Senate will proceed with the unfinished business, and, under the unanimous consent order, the distinguished senior Senator from Idaho [Mr. TAYLOR] has the floor.

The PRESIDENT pro tempore. The Senator is correct. The Chair recognizes the Senator from Idaho.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. TAYLOR. Mr. President, before I proceed with my prepared remarks, I should like to read into the RECORD an excerpt from a British publication entitled "The Electrical Review." I believe that what is recorded here is emblematic of the entire so-called Marshall plan and its inconsistencies. I read from this British publication:

It is somewhat surprising to learn that the Marshall plan for aid to Europe, includes an item of \$141,000,000 worth of electrical equipment for Great Britain spread over the next 4 years. This represents an annual average value of nearly \$9,000,000; the total value of our imports of electrical machinery and apparatus during 1947 was of the order of \$3,000,000. So far we have been unable to obtain particulars of the kind of equipment which the United States proposes to send us but it would have to be of a very special character to be acceptable. It would be absurd for us to continue to deprive home industries of much-needed electrical apparatus for the sake of export trade and then take similar equipment from America. It is true that we will not be expected to pay dollars for these goods—immediately at any rate—but the principle seems to be all wrong.

It seems to me, Mr. President, that we are simply trying to find ways and means of dumping our excess production abroad in the hope that by so doing we will get foreign nations accustomed to our products, and, as I have said previously, find markets for the day when home consumption can no longer take up the slack.

At the close of my remarks yesterday I had just finished pointing out that the

press of America has seemed to go out of its way to inflame the minds of the American people against the Russians, but at the time I concluded yesterday I had pointed out that I had noticed a number of articles recently in the press and in other places indicating that this trend was changing. I pointed out several articles I had recently seen seeking to present a fair picture of the Russians as people, not as ogres or devils with horns. I hope this is indicative of a reversal in this trend.

David Lawrence has written some excellent articles calculated to ease the tension between ourselves and the Russians.

God knows we need cool heads who will start throwing at least a little water on the flames of hate and prejudice and misunderstanding that threaten to engulf us and the world. But enough of this. I set out to castigate the press for their sins. I am happy that I was able to wind up with a good word or two for some of them.

THE FULTON, MO., SPEECH

Now, Mr. President, I wish to call attention to the Fulton, Mo., speech. I am sure everyone knows to what I refer without further elaboration.

To add to the bitterness engendered by the hate campaign in the press and over the radio, Mr. Churchill came to America and he went to Fulton, Mo., as the guest of the President of the United States, and there he made a speech that did more to undermine our relations with Russia than any one thing that had occurred up to that time. He suggested a military alliance against the Russians, for obviously there was no other nation against whom an alliance could be aimed.

Up to that time, Mr. President, there had been a certain freedom of access to our people in finding out what went on in Russia. I talked to many members of UNRRA missions, press representatives, and just plain citizens, who had been to Russia before that time, and they said there was no iron curtain. They said they went where they pleased and saw what they pleased.

I might interpolate that one of the gentlemen with whom I talked, who had been to Russia as head an UNRRA mission, was a Republican lawyer of New York, so he could not have been expected to be pro-Russian; but he stated that he had been allowed to go where he pleased, and to see what he pleased, and that his freedom of action had not been interfered with.

Churchill likes to coin new phrases and make daring suggestions and hold the spotlight. Certainly, after the damage he did to the hopes of mankind on that one day at Fulton, Mo., he should have his belly full, he should be satisfied to rest on his laurels to his dying day.

But he is not satisfied. He still goes about, coining his phrases and cocking up his schemes. Among all the elder statesmen of all the nations his only rival in creating distrust and suspicion is Herbert Hoover.

MILITARY INFILTRATION

Mr. President, what would we have thought if, with the end of the war, the

Russians had made Marshal Voroshilov, their war hero, their Foreign Secretary? Then suppose they had sent old Budenny, the general with the handlebar mustaches, over here as their Ambassador to Washington. And suppose they had sent generals hither and yon to represent them in the various capitals of the world. What would we have thought?

Would we have thought their intentions were peaceful? Or would we have been alarmed and distrustful? I am happy to say they did not do that. I wish I could say as much for us. No, the Russians did not do these things. One might almost wish they had because then our own actions would not appear in such an unfavorable light by comparison.

What were our actions in this regard? Our greatest war hero, our wartime Chief of Staff, became our Secretary of State on January 21, 1947.

Mr. President, I have a high regard for General Marshall, as a general, but is it reasonable to expect a man who has spent his adult life as a professional soldier suddenly to forget that background simply because he has been appointed to a civilian administrative position, indeed, the most important civilian post in America, aside from the Presidency?

The Secretary of State is ordinarily thought of as possessing the characteristics of a diplomat, a pourer of oil on troubled waters, a man who can engage in long and difficult negotiations without becoming impatient or exasperated—one who can compromise, cajole, give and take. Certainly, a military man is not schooled in any of these things. He is taught to run rough-shod over all opposition, to give orders and have them obeyed without question, and not to compromise with the enemy.

I think the military type of mind can best be summed up in the actions of General McAuliff at Bastogne when he was called upon to surrender and answered, "Nuts!" Very admirable behavior for a military man, but hardly the proper attitude for the conference table.

I think General Marshall is as well qualified, and no better qualified to be Secretary of State than would that master diplomat, Sumner Welles, be qualified to be Chief of Staff.

One day General Marshall was Chief of Staff, planning, and capably, I will warrant, how we could keep such a military advantage over other nations as to guarantee our military security absolutely—no job of planning for peace through negotiations, kindly overtures, or disarmament proposals—but the next day he simply moved into a different chair where he was supposed to be a changed man completely. I just do not believe that can happen. I do not believe it did happen, with all due respect to General Marshall.

But, to continue with the story of our military: General Bedell Smith became our envoy to Moscow. Could that be construed by any stretch of the imagination as a friendly, peaceful gesture toward our wartime ally?

I wonder what the Russians thought. I wonder what the whole world thinks

of all the military men we have sent into many foreign countries to fill diplomatic positions which have traditionally been the province of civilians.

I do not believe that it was a happy decision to embark upon such a course.

Certainly, the collapse of our vitally important relations with Panama, which it is largely agreed was the result of the bungling and incompetence of a general who, while he may have been a good general, was utterly lost in the field of diplomacy, should make us stop and consider.

As I say, the results of this policy have been to create suspicion and mistrust of our motives among the nations of the world and insofar as I can see, without compensating advantages. Certainly, it has not helped to win the confidence of the Russians. There are other things we have done which have not been conducive to good relations with the Russians.

IRAN—OIL AND GUNS

For example, we are in Iran exploiting their oil resources, that is, our private companies are.

As we all know, Iran is situated with relation to Russia quite similarly to the position that Mexico occupies geographically with relation to us. How would we feel if the Russians came into Mexico and started carting away the oil—oil that we need. Would we be happy about it?

And suppose we went down to Mexico and said, "Now look here, we do not mind Russia having some of this oil but we want some, too." And suppose we negotiated a lease for oil concessions in Mexico? We thought we were all fixed up, but then the lease came up for ratification by the Mexican Congress. And then if we can imagine such a thing, the Russians sent a message to Mexico and said, "You do not need to ratify that lease of Uncle Sam's unless you want to and we will back you to the hilt."

Well, Mr. President, that thing has happened in Iran.

The Russians did negotiate an oil concession with the Iranian Government. They may have used questionable tactics in doing so.

I do not know as to that. I doubt if they were any more questionable than the tactics we used in getting the Panama Canal right-of-way, for example.

And the Iranians could have appealed to the United Nations if they did not like it. Nevertheless, when that treaty came up for ratification by the Iranian Parliament we sent the Iranians a note and said, "Do not sign that agreement with the Russians unless you want to, and we will back you to the hilt."

When I read that, Mr. President, the words "to the hilt" were in quotation marks, to give them added emphasis, and of course, everyone knows that when we say "to the hilt" we mean the atom bomb.

I am afraid that if the Russians had done a thing like that to us it would have meant war.

The only reason our actions have not brought war is because the Russians are too devastated, too unprepared to fight.

Now, we have a military mission in Iran, training the Iranian Army. Doubtless, we are sending in military equip-

ment. The Army does pretty much as it pleases about such matters nowadays without bothering to ask Congress. Witness the recent disclosure that we have been secretly sending our airplanes to Chiang Kai-shek. There might never have been a word said about that but all of a sudden the Republicans went crazy and started yelling for aid to China, so our supercolossal military boys gave forth with the good news, the glad tidings, that they had been black-marketing aid to Chiang right along without bothering to ask that silly old man with whiskers otherwise known as Congress.

Suppose the Russians sent a military mission into Mexico—started training a Red Army and supplying them with military equipment. Do you think we would like it? I would not. I would be one of the first to insist that such unfriendly action should cease immediately.

Perhaps the reason the Russians have not been so bold as we might be is because they do not have an atom bomb; although I read in the newspapers the other day that some scientist said that one other nation did have the atom bomb. I do not know what nation that may be. He said, however, that the other nation did not have enough atom bombs to start an atomic war yet, and therefore there was no object in our reaching any agreement as to the control of atom bombs, because it would simply whittle down the advantage we had at the present time. In other words, this one gentleman thought evidently that when the Russians got enough atom bombs so they could talk turkey on equal terms, then we might come to some agreement limiting the use of atom bombs or abolishing their use.

Their country is devastated. They are not in the position to be as tough as we would be under the circumstances.

TURKEY

Now, let us take a look at Turkey.

The Turkish Government is utterly reactionary. Its people have no more political freedom and much less economic security than the people of Russia. Nevertheless, we are backing up that Government. We are in Turkey dredging the harbors and building roads.

What would we think if the Russians came into Mexico and started building roads and dredging harbors? I know what we would think and I know what we would do.

We would drop an atom bomb on them before they even got the dredge unloaded. We might not drop an atom bomb on them, but we would drop some kind of a bomb on them.

The proper procedure would have been for us to ask the United Nations to protect Turkey if we thought she was in danger and then let it be known we intended to back the United Nations to the hilt.

GREECE

Now, let us look at Greece.

Some of my colleagues may remember that I have been utterly opposed to the whole Greek-Turkish undertaking. God knows that events have amply justified my opposition—at least in my own mind.

A few of us contended that the Greek situation should be handled through the

United Nations—that truly free elections should be held under the supervision of the UN.

It was our suggestion that we provide the money we intended to appropriate for Greece to the UN to help them in carrying out a policy of genuine self-determination and rehabilitation for the Greeks. That is my contention with respect to the pending bill. But we were overruled.

Our Government resumed its old role of pulling British chestnuts out of the fire. The British were in position to keep the Greeks under control no longer and so we took over in their stead—not exactly in their stead—they have kept a few military advisers down there and to the best of my knowledge they pretty much run things in their suave British way.

I am convinced that our action in Greece has caused those people more misery, hunger, and suffering than if we had kept out of there entirely. I never was in favor of leaving the Greeks to stew in their own juice. But, I repeat, they would be better off today if we had done that.

Some people will say, "Oh, the Russians would never permit the United Nations to solve the Greek situation." How do we know? We did not ask.

The fact is pointed to that the Russians have refused to participate in the UN border watch on Greece and have vetoed several resolutions to set up border patrols.

Mr. President, having the UN handle the Greek situation in its entirety and having us go in to support a Fascist regime and then asking the UN to hold the door shut while we kicked the people around are two different things. We would be in a much stronger position if we had asked the UN to handle the Greek situation in the first instance. I know for a certainty that the UN wanted desperately to handle that affair, and I believe they could have handled it.

If Russia had tried to stop it, we could then have gone ahead with a clear conscience. As it is, we are in the position of interfering unilaterally in the affairs of a country far from our borders.

Greece and Turkey are in key positions with relation to the Dardanelles—a strategic waterway and very vital to the Soviet Union.

Suppose there were a government friendly to the Russians on the South American shore at the very narrowest point to the outlet of the Gulf of Mexico, and suppose that outlet were much narrower—comparable to the Dardanelles—I think we would like to have a friendly government in that country in a position comparable to Turkey. Would we like it if there were a government there friendly to the Russians and the Russians came over and bolstered up that government to keep it in power?

Suppose Cuba were on the other side of those imaginary straits out of the Gulf of Mexico and suppose Cuba were in a terrible political ferment and the decision as to whether there should be a government friendly to us or to the Russians were in grave doubt. Then suppose the Russians moved into Cuba and

by force of arms supported a government friendly to them. I believe we would go to war, Mr. President. I believe it is very fortunate for the peace of the world that the Russians are not prepared to go to war. Some day, of course, they will be prepared.

They are getting ready just as fast as they can and using their ideological and infiltration tactics to better advantage than we have been able to use dollars, arms, and the threat of the atomic bomb. Now we come along with the so-called Marshall plan.

We must have known that the Russians could not participate—neither could they permit their satellites to participate. This plan calls for a degree of supervision and intervention in the affairs of other nations that the Russians or any other self-respecting nation could not tolerate and would not tolerate if they had any other recourse.

NEW LEADERS NEEDED

So you see, Mr. President, our foreign policy has accomplished no good objective in the past, and I do not believe that it will in the future until our whole approach is completely changed.

At this late date I believe the only solution is to take the formulation and guidance of our foreign policy out of the hands of those who hate Russia and place it in the care of statesmen who genuinely desire to get along with Russia and in whose sincerity of purpose the Russians could have confidence.

I believe that the most statesmanlike utterance that has been made on the floor of the Senate during this debate was the wish and the hope expressed by the senior Senator from Texas [Mr. CONNALLY] that we might increase and expand our trade with Russia.

TRADE WITH RUSSIA

For a long time I have been convinced that trade with Russia would be one of the surest ways to minimize and iron out our political differences. If our moneyed interests which are so bitter against Russia and so fearful of communism should suddenly find themselves engaged in profitable commercial intercourse with Russia, I am convinced that their attitude would undergo an astonishing transformation. Today Russia is the best prospective market in the world for our manufactured goods. The Russians have gold and raw materials with which they could pay for the goods received.

There is very little prospect of any great volume of trade with other nations of the world once we quit—that is, if we ever do quit—giving nations all over the world billions of dollars with which to purchase our products. Our capitalistic economy is going to find itself in dire straits whenever we quit giving things away.

Ironically enough, I believe that Russia by her purchases from us—if we can forget our prejudices and trade with her—might be very instrumental in delaying for a considerable period of time that showdown for capitalism which they are supposed to be hopefully awaiting.

RUSSIA'S ACTIONS

I have had people argue with me that nothing the Russians have ever done has

shown any desire to cooperate and live at peace with us, and that they are out to conquer the world. I deny that. I should like to point out that the Russians were in Manchuria and they could have stayed there if they had wanted to do so. It is a rich, populous, and vast territory. If the Russians were bent on world conquest I think they were fools to evacuate Manchuria.

To be sure, they took a great many industrial plants with them when they left, but it was their contention, and I think not without some merit, that these were Japanese-owned and therefore could rightfully be considered spoils of war.

But whether we agree with that contention or not, the fact remains that they did go home. If they were out to conquer the world, they would have been well on their way if they had chosen to remain in Manchuria.

The Russians were in Iran. Oil is very important to conquerors. There is oil in Iran.

To be sure, the Russians were a little slow in getting out. They were there, of course, as part of the war strategy; but when the matter was called to the attention of the United Nations, the Russians did go home. If they had had no regard for world opinion, or the United Nations and if they had been hell bent on conquest, I cannot feel that they would have left Iran.

RUSSIAN VETOES

Then, of course, there is the question of the Russian vetoes in the Security Council. The plain fact of the matter is, Mr. President, that we have an overwhelming control of the United Nations and the veto is the only weapon the Russians have. I am not trying to justify all their vetoes, by any means; but, at the same time, it is a fact we insisted on having the veto included as part of the United Nations machinery. Doubtless, we expected to use it if circumstances had been reversed. It is widely acknowledged that the UN Charter would never have been approved by the Senate had not the veto been included.

During the time the United Nations has been in existence, the Russians have used the veto 22 times. A great deal has been made about this. I asked the Legislative Reference Service of the Library of Congress to prepare me a list of these vetoes and the reasons the Russians gave for using the veto. I think it might be enlightening, if not to my colleagues, at least to those who read the CONGRESSIONAL RECORD, to run through this statement, which was prepared for me by the Legislative Reference Service. It was very enlightening to me; it astounded me.

Veto No. 1 occurred February 16, 1946. It was a veto of a United States proposal that, in effect, would have dismissed Soviet charges against Great Britain for having troops in Syria and Lebanon. The Russians vetoed this dismissal of the charges against Great Britain, giving as their reason disapproval of the wording of the proposal. The fact remains that the charges were pressed and Great Britain was forced to get out of Syria and Lebanon.

Veto No. 2 occurred on June 18, 1946. It was a veto of a resolution to refer the question of the Franco regime to the General Assembly. The Soviets vetoed that resolution. They maintained that the Security Council should order a world-wide break in diplomatic relations with Spain, instead of leaving the matter for the Assembly. Personally, I agree with them. Anything that can be done to embarrass Mr. Franco, I am in favor of, and I believe millions of Americans would take the same attitude.

Then on June 26, 1946, they used the veto for the third time, vetoing a British-Australian resolution to keep the Spanish question on the agenda without prejudice to the rights of the General Assembly. This was very similar to the previous veto. It was the same question, approached from a different angle. This makes two vetoes on the same question, and marks the beginning of what I believe was a western drive to discredit Russia as seeking to undermine the UN by a reckless use of the veto. I believe the western powers were equally guilty of undermining the UN by indulging in such tactics.

On June 26, 1946, came veto No. 4. It was a veto of a contention that the British-Australian resolution on the Spanish question was procedural, and therefore not subject to vote. That makes three vetoes on this one question of Spain. In using the veto this time, the Russians justified their position by quoting from the San Francisco agreement, which stated that:

The decision regarding the preliminary question as to whether or not a matter is procedural must be taken by a vote of seven members of the Security Council, including the concurring votes of permanent members.

The experts whom I have consulted assure me that the Russian contention had merit at least equal to the arguments of the proponents of the resolution.

Mr. CHAVEZ. Mr. President—

Mr. TAYLOR. I am happy to yield to my good friend the Senator from New Mexico.

Mr. CHAVEZ. I am not criticizing the Senator's position so far as the Russian stand in regard to Spain is concerned; but inasmuch as the pending bill is for the purpose of fighting communism, does not the Senator feel that there is a little inconsistency in the position now taken in connection with this subject?

Mr. TAYLOR. Certainly. I pointed out yesterday that the object of this bill is not to fight totalitarianism. They do not care about Peron's totalitarianism or Franco's totalitarianism. Russia's totalitarianism is all that worries them, and not because it is totalitarian, but because when countries become Communist, our big business interests can no longer go in and sell their goods and invest their capital.

Mr. CHAVEZ. Suppose I doubted the sincerity of purpose of those who would now fight communism. Is there any purpose in leaving Spain out of the picture?

Mr. TAYLOR. I do not think so. If they want to fight communism, they should fight it wherever it appears.

Mr. President, veto No. 5 was on June 26, 1946, of a reintroduction of the previous resolution.

So that makes five times the Russians vetoed proposals calculated to get France off the hot seat. Frankly, I would have done the same.

What I want to point out is that when we kept putting the same proposition up to them over and over, the conclusion reached at least by those antagonistic to Russia was that the Russians were using the veto recklessly.

Veto No. 6 was on August 29, 1946, of a recommendation that Transjordan be admitted to the United Nations. The U. S. S. R. maintained that admission could not be recommended because it did not have diplomatic relations with Transjordan. Regardless of whether there is any validity to that argument, I should like to point out that a number of speeches were made on the floor of the Senate at the time criticizing Great Britain for seeking admission to the UN for Transjordan because its government was so completely subservient to Great Britain.

The next two vetoes are identical with the one to which I have just referred—veto No. 7, of a recommendation that Ireland be admitted to the United Nations; and veto No. 8, of a recommendation that Portugal be admitted to the United Nations. We evidently knew that the Russians would veto these two proposals, inasmuch as they were identical with the Transjordan question insofar as the nonexistence of diplomatic relations was concerned. Nevertheless, we put them forward and got those two extra vetoes—three on the same subject.

Mr. CHAVEZ. Mr. President, I should like to interrupt the Senator at this point.

Mr. TAYLOR. Yes; I am happy to yield.

Mr. CHAVEZ. I do not do so for the purpose of interfering with the Senator's line of thought. But I should like to clear up our understanding of this policy of ours, if possible, even during the debate, to some extent.

Something has been made of the fact that we are fighting communism and totalitarianism throughout the world and we are sticking with our friends and we are fighting for democracy. Was there anything democratic in Portugal at the time when Portugal tried to get into the United Nations?

Mr. TAYLOR. No. Portugal is an out-and-out Fascist dictatorship.

Mr. CHAVEZ. Very well. Suppose we go a little further. The pending bill would take care of Eire and also Sweden. Were they in the war any more than Spain was?

Mr. TAYLOR. No.

Mr. CHAVEZ. I call attention to these things merely to clear the atmosphere.

Mr. TAYLOR. I have much less objection to helping Eire and Sweden, with their democratic governments, than to helping Spain.

Mr. CHAVEZ. Possibly so. The Senator is now talking of governments, not people, is he not?

Mr. TAYLOR. I have great sympathy for the Spanish people.

Mr. CHAVEZ. The philosophy of it is good. We are going to stick by France and those who fought with us. Is there any greater reason for helping Portugal or Sweden than there is for helping Spain?

Mr. TAYLOR. No; not a bit more, so far as I can see.

Veto No. 9 was on September 20, 1946, an American resolution calling for investigation of frontier incidents along the northern border of Greece. The Soviet Union held that no charges had been brought against Bulgaria and Yugoslavia and that to name an investigating committee would "cast a certain shadow on them" as well as on Albania.

Mr. President, why did we not ask the United Nations to take over the whole Greek question in the beginning? That is what I wanted at the time. All we want to make of the United Nations is a part-time "sweetie."

Veto No. 10 was on March 25, 1947, of a British resolution stating that the Corfu mine field could not have been laid without the knowledge of the Albanian authorities. The Soviet Union could not agree that the resolution represented the true situation in connection with the mine incident and again used the veto. I have not had time to plow through all the testimony, and I probably never shall. It is very voluminous. I have too many other things to do. It is a technical question on which I am not prepared to pass judgment or even to express an opinion. The veto was used, in any event.

Veto No. 11 was on July 29, 1947, of a United States resolution to maintain the Balkan Investigating Commission in power for two more years and to vest it with powers of conciliation as well as investigation. Russia vetoed this resolution contending that the Security Council had no power to compel any country to admit an investigating commission and that the resolution could only create additional complications. Of course this all goes back to the fact that we had already taken unilateral action in Greece, had bypassed the United Nations, and only wanted certain actions taken when it suited our convenience.

The next three vetoes, Nos. 12, 13, and 14, are identical with 6, 7, and 8, the question of admitting Transjordan, Ireland, and Portugal to the United Nations. The Russians had once vetoed these proposals. We evidently knew they would veto them again, but it added three more vetoes, six vetoes on one subject.

Veto No. 15, was on August 19, 1947, of a resolution introduced by Australia calling on Greece and Bulgaria, Albania and Yugoslavia to cease all acts of provocation and to enter into direct negotiations to settle the border proposal. If the United States had been included as one of the culprits in that resolution and the resolution had insisted that everybody get out and keep hands off and let the United Nations take over, then it would have been a good resolution in my opinion. As it was, Russia vetoed the resolution which in effect was very similar to two previous resolutions calling for investigation of frontier incidents along the northern border of Greece. That makes three vetoes on one subject again.

No. 16 was on August 19, 1947, of a United States resolution fixing responsibility on Yugoslavia, Albania, and Bulgaria for Greek border difficulties and calling on these nations to cease aiding Greek guerrillas.

Well, that strikes me as the height of hypocrisy on our part when we are interfering in Greece 10,000 times more than anybody else, at least, if you judge by the money spent in interfering. The Russians vetoed the resolution, which was similar to three previous resolutions dealing with the same subject. That makes four vetoes on a similar subject, again.

Veto No. 17 was on August 21, 1947, of a resolution to recommend the admission of Italy to the United Nations. Russia contended that Italy was not eligible for membership pending ratification of peace treaty, so they vetoed the resolution. I am assured by our experts that there was sound reasoning to support the Russian veto, although the issue was certainly debatable and there was merit on both sides.

Veto No. 18 was on August 21, 1947, of a resolution to recommend admission of Austria to the United Nations, and this compilation prepared for me by the Legislative Reference Service says same as veto 17—that is the one we just mentioned on the admission of Italy. So another veto was built up against Russia identical with the previous one.

Veto No. 19 was on September 15, 1947, of a United States resolution requesting the General Assembly to consider the Greek border problem and to make recommendations on its solution. U. S. S. R. contended that adoption of this resolution would be a confession of the Security

Council's inability to solve the problem and an evasion of its responsibility. This resolution is a close relation of four previous resolutions which the Russians vetoed and makes five vetoes on one subject again.

Mr. President, in order to be consistent with my original stand on the question of Greece, namely, that the United Nations should have been given the whole problem, I would have vetoed all these myself until the United Nations took full charge of the whole problem of Greece, including border policing duties, and removed all outside interference. This made a total of five vetoes on the Greek question.

Veto No. 20, on September 15, 1947, was on the question as to whether the United States resolution above was procedural or substantive. Russia had vetoed similar resolutions previously and it was probably a foregone conclusion that they would veto this one which simply questioned their right to veto the resolution on the Greek border problem. But you see, Mr. President, it added one more to the number of vetoes chalked up against the Soviet Union, making six vetoes on this Greek question. All of them, of course, were given inflammatory headlines in this country.

Veto No. 21 occurred October 1, 1947, on a resolution to recommend admission of Italy to the United Nations. Union of Soviet Socialist Republics contended that it would at any time admit Italy, together with Finland, Hungary, Rumania, and Bulgaria at one time, but would never vote for any of them separately. I dare say, Mr. President, that Russia is as justified in seeking to have

her friends admitted to the UN as is the United States or Great Britain.

On October 1, 1947, the same day as the twenty-first veto, came the twenty-second, on a resolution to recommend admission of Finland to the United Nations. The Russians did us a favor, it may appear. The notation opposite that entry in this summary prepared for me by the Legislative Reference Service says, "Same as Veto 21." So by clever maneuvering, we managed to get the Russians on record with 22 vetoes.

As I say, Mr. President, when I was provided with this documentation I was astounded to find that this alarming number of vetoes concerned only four issues. And if we look at the question candidly, it would seem to me that our position in relation to these questions could well be carefully examined.

I hope the Congress never decides to put the President at a disadvantage by following this procedure. It might reduce his popularity in the same proportion that Russian prestige fell last year because of this veto question, but I am afraid the Congress would wind up in nearly as bad shape as the United Nations now finds itself. I think this whole business reeks of power politics and is a significant testimonial to the way the United Nations has been kicked around by the various nations in an effort to gain selfish advantage rather than peace for the world.

Mr. President, I should like to insert at this point in my remarks a brief documentary study of the Russian vetoes.

There being no objection, the document was ordered to be printed in the RECORD, as follows:

Use of the veto in the Security Council by the U. S. S. R.

Date	Veto No.	Issue	Soviet stated reason for use
Feb. 16, 1946	1	United States proposal that, in effect, would have dismissed Soviet charges against Great Britain for having troops in Syria and Lebanon.	Disapproval of the wording of the proposal.
June 18, 1946	2	Resolution to refer the question of the Franco regime in Spain to the General Assembly.	U. S. S. R. maintained that the Security Council should order a world-wide break in diplomatic relations with Spain, instead of leaving the matter for the Assembly.
June 26, 1946	3	British-Australian resolution to keep Spanish question on the agenda "without prejudice to the rights of the General Assembly."	Same as in veto 2.
Do.....	4	A contention that the British-Australian resolution on the Spanish question was procedural and therefore not subject to the veto.	U. S. S. R. vetoes this contention on the basis of a San Francisco agreement which stated that: "The decision regarding the preliminary question as to whether or not * * * a matter is procedural must be taken by a vote of 7 members of the Security Council, including the concurring votes of permanent members."
Do.....	5	Reintroduction of previous resolution [veto].....	Same as veto 4.
Aug. 29, 1946	6	Recommendation that Transjordan be admitted to the United Nations.....	U. S. S. R. maintained that admission could not be recommended because it did not have diplomatic relations with Transjordan.
Do.....	7	Recommendation that Ireland be admitted to the United Nations.....	Same as veto 6.
Do.....	8	Recommendation that Portugal be admitted to the United Nations.....	Do.
Sept. 20, 1946	9	American resolution calling for investigation of frontier incidents along the northern border of Greece.	Soviet Union held that no charges had been brought against Bulgaria and Yugoslavia and that to name an investigating committee would "cast a certain shadow on them," as well as on Albania.
Mar. 25, 1947	10	British resolution stating that the Corfu mine field could not have been laid without the knowledge of the Albanian authorities.	Soviet Union could not agree that the resolution represented the true situation in connection with the mine incident.
July 29, 1947	11	United States resolution to maintain Balkan Investigating Commission in power for 2 more years and to vest it with powers of conciliation as well as investigation.	U. S. S. R. held that the Security Council had no power to compel any country to admit an investigating commission and that the resolution could only create additional complications.
Aug. 18, 1947	12	Recommendation that Transjordan be admitted to the United Nations.....	Same as veto 6.
Do.....	13	Recommendation that Ireland be admitted to the United Nations.....	Do.
Do.....	14	Recommendation that Portugal be admitted to the United Nations.....	Do.
Aug. 19, 1947	15	Resolution introduced by Australia calling on Greece and Bulgaria, Albania, Yugoslavia "to cease all acts of provocation" and to enter into direct negotiations to settle the border problem.	U. S. S. R. contended that nothing had transpired to alter its views on the Greek situation.
Do.....	16	United States resolution fixing responsibility on Yugoslavia, Albania, and Bulgaria for Greek border difficulties and calling on these nations to cease aiding Greek guerrillas.	U. S. S. R. pointed out that if action on the Australian proposal above [veto 15] was unacceptable, then this proposal "should be considered unacceptable even to a greater degree."
Aug. 21, 1947	17	Resolution to recommend admission of Italy to the United Nations.....	Russia contended that Italy was not eligible for membership, pending ratification of peace treaty.
Do.....	18	Resolution to recommend admission of Austria to the United Nations.....	Same as veto 17.
Sept. 15, 1947	19	United States resolution requesting the General Assembly to consider the Greek border problem and make recommendations on its solution.	U. S. S. R. contended that adoption of resolution would be a confession of the Security Council of its inability to solve the problem and an evasion of its responsibility.
Do.....	20	Whether the United States resolution above was procedural or substantive.....	See veto 4.
Oct. 1, 1947	21	Resolution to recommend admission of Italy to the United Nations.....	U. S. S. R. contended that it would at any time admit Italy together with Finland, Hungary, Rumania, and Bulgaria at one time, but would never vote for any of them separately.
Do.....	22	Resolution to recommend admission of Finland to the United Nations.....	Same as veto 21.

Mr. TAYLOR. Mr. President, the point which I have tried to bring out is this: That while the Russian use of the veto certainly caused many people to doubt seriously whether the Russians wished the United Nations to function, at the same time it seems to me that the Western Powers went out of their way to bring about situations calculated to force the Russians to use the veto.

Mr. President, let us summarize this imposing number of vetoes briefly. It boils down to this:

There were five vetoes on issues relating directly to the situation along the Greek border.

The resolution on Corfu is closely associated, making really six vetoes on this one subject.

What it amounts to is this: We had bypassed the United Nations by taking unilateral action in Greece and we were trying by parliamentary maneuvers within the Security Council to force the Russians to endorse our actions in Greece, which I have always contended were indefensible because of the fact that we were bypassing the United Nations and because of the undemocratic and collaborationist nature of the Greek Government which we were supporting.

If we reverse the circumstances and put the shoe on the other foot, we find that the reason for the very first veto was our endeavor to have dismissed charges against Great Britain for having troops in Syria and Lebanon.

In that very first issue put before the Security Council we set a pattern by trying to protect our friends.

Then, Mr. President, there were five vetoes on Spain. Frankly, I wish that our country had been on the other side of this issue and had taken the initiative in seeking concrete action against Mr. Franco. I do not believe that our position in seeking an out for this Fascist dictator has enhanced our standing among the peoples of the world as a defender of democracy.

Finally, Mr. President, there are 10 vetoes around the admission of different countries to the United Nations. On each occasion we and Britain were seeking admission for nations friendly to us and the Russians insisted that the nations seeking admission and friendly to them be included and that all should be voted upon at one time.

Every time there was a Russian veto, the press put it in banner headlines. The headlines did not say, however, that the vetoes were so often on the same matters.

TERRITORIAL EXPANSION

I come now to the question of territorial expansion. A great deal has been made of who has been expanding, and where. The question has been raised as to whether the Russians' behavior is proof that they want to engulf the world.

I do not believe it can properly be said that the Russians expanded when they regained territories which hostile powers had separated from them by armed invasion. However, it cannot be denied that the Russians have now included several other nations in their sphere of influence, not by direct military action,

perhaps, but by techniques of ideological infiltration in much the same way that we use dollar diplomacy.

In accordance with an agreement with Great Britain to which I have previously referred, governments friendly toward Russia were established in Rumania and Bulgaria.

In direct contravention of that agreement, Yugoslavia, which was to be in the British sphere of influence, failed to behave according to Churchill's plan and it set up a government friendly to Russia.

Czechoslovakia now has a Communist government and is in the Russian sphere.

At any rate the Russians are not alone in their expansion of their spheres of influence.

Despite our protestations that we do not want any territory, we have taken possession of a number of Pacific islands without anyone's permission but simply by informing the United Nations we were going to do it.

We are firmly established in Okinawa. Japan is certainly under our influence.

We occupy half of Korea.

Turkey has come under our domination to a large extent. We are in Greece with armaments and increasing numbers of military personnel.

We are in China at least as much as are the Russians.

We are exploiting the oil of Iran and have a military mission and a sizable economic mission there.

We are still in Greenland despite the vigorous protests of Denmark.

We are establishing air bases in north Africa.

Arabia would certainly be classified as being under our sphere of influence.

We have aided and abetted the Dutch in their nefarious subversion of Indonesian freedom, and we have furnished the military supplies that enabled the French to reestablish themselves in Indo-China.

The western zone of Germany is under our domination, as the eastern zone is under Soviet domination.

The question of who has expanded the farthest from home, of which power is closer to the frontiers of the other, can be easily settled by taking a tape measure and a globe and measuring from the borders of the United States and likewise from the borders of the U. S. S. R. to the farthest point of each country's occupation or domination.

Another good comparison is to measure from the farthest point of the other country's domination, for instance, from Yugoslavia at the present moment to the United States, and from our German zone or from our Korean zone to Russian territory, and then easily establish which country is closest to the homeland of the other.

I contend that we are at least equally guilty in the matter of expansion.

RUSSIANS NOT GANGSTERS

One more point, Mr. President, in this argument as to whether the Russians are the only menace to peace in the world. I have heard people say that we cannot deal with the Russians because their leaders are gangsters and tyrants. I cannot agree with that premise. I never heard of tyrants who worked long hours

to improve the economic condition of their subjects.

This seems to be one of the most serious complaints that Mr. Kravchenko has to make against Russia in his book *I Choose Freedom*. Mr. Kravchenko, a former Russian official, complains at length over the fact that Russian Government executives must work long hours trying to make their economy work ever better and thereby raise the standard of living of the Russian people.

The Russians have improved the living standards of their people to an unprecedented degree in a very brief period of time. I have read in the press recently that their progress in the last year has been phenomenal. The Russians spend more money for education than any other nation in the world. I never heard of a gangster or a tyrant educating the people they intended to exploit. It is contended, of course, that they do not truly educate their people because they fill them full of Communist propaganda.

AMERICA IS BEST

I got quite a bit of pro-American propaganda along with my schooling. I think it is only natural and proper that a nation should bring up their young to believe that their country is the best in the world. As I said, I was taught to believe that, and the older I grow the more I become convinced that this is by far the best country on earth.

That is why I am arguing here today, Mr. President, that the Russians are not so bad as they have been painted, that it is possible to get along with Russia. In trying to point out that the Russians are not all bad I am aware that I am laying myself open to what I know will be a campaign of vilification which will certainly be hard to stand up under. If I did not love my country, if I were willing to see it destroyed, I would skip the whole thing.

Mr. CHAVEZ. Mr. President—

The PRESIDING OFFICER (Mr. SPARKMAN in the chair). Does the Senator from Idaho yield to the Senator from New Mexico?

Mr. TAYLOR. I am happy to yield to the Senator.

Mr. CHAVEZ. I stated yesterday, and I repeat, I want the American people to have freedom of expression, and so far as I am concerned, the fact that the Senator might be running for a political office, the fact that he might have some views different from my own, does not make me feel that he is not just as good a Senator as sits in the United States Senate.

Mr. TAYLOR. I thank the Senator from New Mexico. I am only sorry to say that his belief that every man in this country has a right to say what he thinks, and even think what he thinks, is not shared by many people, and the freedoms which we have considered to be traditionally American are becoming severely circumscribed. I am afraid that if the trend is not stopped, we shall be in a very sad state, so far as our civil liberties are concerned.

Mr. PEPPER. Mr. President—

The PRESIDING OFFICER (Mr. LODGE in the chair). Does the Senator

from Idaho yield to the Senator from Florida?

Mr. TAYLOR. I am glad to yield.

Mr. PEPPER. It is not necessary for the Senator from Idaho to have testimonials as to his patriotism and Americanism, but I wish to say that I do not want the moment to pass without attesting that I subscribe to every word and sentiment just expressed so well by the Senator from New Mexico. In my opinion there is not a better American in the United States Senate, or in America, than the Senator from Idaho.

Mr. TAYLOR. I thank the Senator from Florida sincerely, from the bottom of my heart. He knows the high regard I have for him without my saying it.

Mr. President, if we admit that Russia is as bad as so many among us seem to think she is, we might as well give up and prepare for atomic war, and we are told that would mean we might just as well go out and dig graves for ourselves and our families. I am not prepared to do that, regardless of the consequences to myself. While there is life, there is hope.

Mr. President, to admit that the Russians are as bad as they have been painted would leave but one alternative—a show-down fight, which the experts say would mean not only the end of Russia, but the end of us—the end of civilization, and probably the extermination of all life on this planet.

FOR LOVE OF COUNTRY

I am making this presentation and inviting the violent abuse that will probably be heaped upon me as being pro-Russian because I love my country and its people. I shall go beyond that, and say that I love all people everywhere. If I did not love my country, if I did not place the welfare of its people above my own welfare, quite frankly, I would be on the other side of this argument. I would join in the brave, breast-beating against Russia, because, Mr. President, the handwriting is clear on the wall. It will take something little short of a miracle to push us back from the brink of destruction where we stand at the present moment.

I know full well that if we become engaged in this conflict, if war comes to this continent as it surely will this time, there will be a great wave of hysteria and a search for goats to sacrifice to appease the wrath of the people. I am convinced that, if that comes to pass, I will indeed be fortunate if I do not wind up behind the barbed wire of a concentration camp. Indeed, my life may well be forfeit for the stand I am taking here today.

If I were easily terrified, frankly, I would turn my back on what to some may seem a hopeless struggle to preserve sanity in this world, and make my peace with those who will be shouting "We were right!" should war break out. I cannot do that. For the sake of my wife and children, I almost wish I could. But it is not that simple, really. We cannot save ourselves by hiding in the mob and joining in the clamor because in another war the mob will be destroyed—all of us.

ONLY COURSE

Frankly, this is the only course I see open to me that presents the faintest avenue—the slightest gleam of hope—for the survival of those I love and those many others who trust and believe in me. I believe it is not too late to change the course of events and reestablish understanding between ourselves and the Russians. I believe it, if for no other reason than that to believe otherwise is to adopt the fatalistic Chinese attitude and prepare for the inevitable end.

We cannot make this change for the better with a President who has made plain his hatred of Russia. We cannot reverse the grim march of events with the present Congress when so many of its Members have tried to see who could outdo the other in stirring up the hatred of the people against Russia.

I believe these conditions will be changed. I have unbounded confidence in the good judgment of the American people.

I shall continue fighting for peace because unless peace is preserved there well may be no life; and, without life certainly there is no hope.

While I cannot bring myself to the faith in nonviolence of Mahatma Gandhi, I would like to point out that, by faith and individual effort, with no finances, no armies, and no violence, Gandhi conquered the British Empire and won freedom for his people.

I am no pacifist; no advocate of peace at any price. I do not believe in appeasing any nation. As David Lawrence pointed out in his column a few days ago, a great and powerful nation such as ours cannot appease a weak nation such as Russia. We could be magnanimous and try to find some solution, but it remains for the weak to appease the strong.

I refuse to resign myself or my people to atomic destruction until every other recourse is exhausted. Until one real and honest effort has been made to reach an understanding with the Russians—when a sincere attempt at peaceful cooperation has been made and failed—there is time then for this grand final gesture of dying gloriously.

When I put myself in the place of the Russians, I can see why they have many reasons to mistrust and fear us and our intentions. But it is quite possible that only an expression from the American people demanding that an all-out, sincere effort be made to rescue the United Nations and to convince the Russians that we have no designs against them, is the only thing that will save the world from destruction. I have confidence that the American people will deliver such a mandate at the first opportunity.

Mr. President, I have introduced a bill in the nature of a substitute for the measure now under consideration. It has been printed and is on the desks of Senators.

I should like to discuss both measures for comparative purposes.

I shall take up the bipartisan measure first.

There is not a great deal I have to say about this so-called Economic Coopera-

tion Act of 1948. When I told my wife the other day that the name had been changed, and now it was E. C. A.—ECA—she asked, "What does that stand for? European Corporation of America?" I think that would be a good name for it, Mr. President.

It will create a host of new bureaucrats, some of whom will have almost kingly power over the lives of people in foreign countries.

They will have power to guarantee investments, presumably, of course, on a basis of the necessity of the project to the success of our plans.

In the past it has all too often turned out that friends and business associates profit from such arrangement.

Although I am not a lawyer, it seems to me that the strings attached to our help are more embarrassing and the compliance requirements more stringent than when our Federal Government grants aid to our States here at home.

I have been trying to find out just what this Marshall plan, ERP, BERP, or ECA is all about. I have been wading through the mountain of stuff the Government committees have gotten out and I have read some of the testimony, obviously not all of it, for it was presented to us the first of this week.

Most of the witnesses seem to talk all around the plan, but they never quite let us in on what it does.

They tell how much we need to help Europe—but never just how much this plan really does help Europe.

I think I have now figured out for myself what the plan really is and how it works; what it is going to mean for us and for the French or Italian farmer and worker and his family.

Western Europe is like a bottom-land farmer who has been hit by a flash flood. His fields have been flooded, his barn washed away, his machines rusted, most of his cattle drowned, the food in his cellar spoiled by the spring flood coming down the river. He is really in bad shape. And most of the other fellows living near him are in the same shape. So they go to the banker in the next town and ask for help, for a loan to buy flour and seed and the machines they need to get back on their feet again. The banker calls in one of the farmers, Ernie we might call him, and says:

"Ernie, I'll be glad to lend you money. You have a good reputation with all the merchants in town and you've always been a good risk. And besides you and most of the other boys are in the same church that we belong to.

"But you know, Ernie," says the banker, "this is a big thing. We get these floods every couple of years and we've got to do something about that river besides just helping you boys get over this year's hump.

"You know, even while the flood was on the board of directors of the bank met and we decided we ought to get everybody in town to pitch in and help out. We're putting on a big show for your benefit. So everybody is donating something and promises to help out. In the meantime, why don't you get to-

gether with all the other fellows on your side of the river and draw up a careful estimate of what you all need to get back into production."

Ernie thinks that is a good idea. So he goes home and talks it over with his wife, and she thinks it is a good idea, too. So they start calling all the other farmers on their side of the river to get together and draw up an estimate of what they all need so they can submit it to the banker.

But Ernie's wife suddenly says: "Ernie, what about the farmers on the other side of the river? They're worse off than we are, and if we do anything on this side, they'll have to do something on the other side or it won't do any of us any good. Besides we do quite a little horse trading with them. And some of them are my kinsfolk."

Ernie, who has never liked the boys on the other side of the river, especially his wife's family, reluctantly agrees it might be a good idea to invite the fellows on the other side of the river. But he remembers the banker told him to invite just the boys on his side of the river. So he asks the banker about it.

The banker says, "Well, go ahead and invite them, but you might tell them we're going to have some drastic changes in the way they run their farms if they want to join up with us on this thing."

So Ernie invites them and tells them about what they are going to have to do. When they hear of some of these intended changes, they walk out, which makes Ernie feel just fine, because he never liked them anyway.

So Ernie and all the boys on his side of the river get together. They sit around a while figuring how little they can get along on and must borrow from the banker. We will call the banker Harry. So a couple of weeks later in they all come to see Harry, the banker. Ernie brings his wife along, because she has always been the manager in their home.

The banker, Harry, takes a look at their estimate and goes into a huddle with his board of directors, which includes all the businessmen in town. Then he calls Ernie and Henri and Rocco and all the other boys in and tells them, "Fine, boys. We've cut your figures here and there a little, but they looked good to us. This looks like a real job. Now there are only a couple of things to do before you all sign up for your loans."

Then Harry begins to tell them about the conditions of the loan.

By this time the boys and their families are pretty desperate; things are getting tougher. They are not in the mood to bargain or argue much.

Harry says, "First, boys, we're not going to be able to let you have all the seed you need, and we'll have to cut down on any tractors. Ernie can't have that hay baler, and Henri can't get that manure spreader, and Rocco can't have that plow, and it looks as though we won't be able to let any of you have any of the milking machines."

"You see," says Harry, "we're sending the tractors and the seed and the plows and the milking machines over to Heinz over there, the guy who lets his pigs

through your fences to run all over your cornfield every couple of years to fatten them up free of charge. He's in a bad way, but it looks like he can get back on his feet faster than any of you other fellows."

"But don't worry," says Harry, "we've got some flour ready for you and we've got some cases of bran flakes for your families. And I'll tell you what—we'll let you have some new oil burners."

"We just got in a shipment straight from the East, from a factory I have an interest in, best little oil burners you ever saw. Once you put these in, none of you will have to go out and cut wood for your stoves, and we'll be able to send in oil trucks regularly so you can buy oil from us."

"Now, let's see," said the banker, "this isn't just a matter of tiding you boys over the next harvest. It's a big plan so you can get out of debt and get back on your feet in four years. It looks to me like you'll have to sell more milk and raise more wheat for sale. You won't be able to keep any of that wheat for seed. And you'd better cut down on your kitchen gardens for the next couple of years and stick to raising the things you can sell. You'll have to sell all your milk and butter in town. Besides you can buy canned food, anyway."

So Ernie says, "Well, I guess that's all right but we could help ourselves out a bit by trading with the boys across the river—they will grow good vegetables as soon as they can get some cultivators and clear the muck off their land."

But Harry has an answer to that. He says, "Sure, go ahead and trade with them, but you cannot help them clear the muck off and you cannot sell them anything we send you even if they can use it better than you—and we are going to make mighty certain they will not be able to buy any of these things from us here in town."

That is all right by Ernie, but his wife starts to do a little figuring. Without the milking machines and the tractor and the cultivator, that means the kids and she will have to work night and day; the kids will not be able to go back to school. And without the food from across the river, that means they are not going to get as much to eat.

"And then, what about repaying the loan?" Ernie asks the banker.

"Oh, that is all right," says Harry. "We know it will take a long time to pay this, so we have worked out a long-term arrangement. We will let you have most of the things you need free out of donations by the people who work here in town and the rest you can pay for by building a special crib on your farm and putting aside a part of your crop or some of your butter every month for us."

"And what do we do with the stuff we put aside that way?" asks Ernie.

"Well," says Harry, "we have not quite figured that out. We do not want it in town here—it might make prices drop. But maybe some of the merchants who will be selling you things can come in and take it—or swap it for a partnership with you. We have not got that quite figured out. Anyway, you will not have to worry about it."

"Oh, and there is something else," says Harry.

"After all, this is a kind of new idea. We have got to see that it works right, so we are sending a man to live with you to see that everything is done right, and that you do not waste the stuff we are sending you."

"He will keep a record of everything we send you and he will see to it that you do not trade with the boys across the river, and that you put aside the right amount to keep up payments to us."

"We will just move him right in and he can live with your family."

"Looks like you will have to give up your bedroom for a while."

"Be sure to feed him well. He is our agent, and he will tell you just exactly what you have got to do every day."

Ernie begins to scratch his head at that idea.

But that is not all. The banker then goes on to say, "Of course, we will take a mortgage on your farm and your house and your cattle."

Ernie's wife pipes up just then and says, "And how long do you think we will take to start paying off the mortgage and getting out of debt?"

"Oh," says the banker, "by the end of 4 years, you'll be just a little worse off—we figure 10 percent worse off—than you were in 1938."

"Yes," thinks Ernie's wife, "that's the year two of the boys had to be kept out of school because we couldn't buy shoes and we couldn't afford a doctor for me when I was sick."

Ernie is a little puzzled by this generosity. But Harry has a couple of other little strings in his pocket.

"In the first place," says Harry, "we want to see you boys on this side of the river form yourselves into a little association for your own protection against the boys on the other side of the river."

"What for?" speaks up the missus.

"Well, you never can tell," says Harry. "They're a bad crew over there. It's true they're worse off than you are, but they're up to no good. And we've got to protect ourselves. So we're forming a little protective association."

"And," he adds, "we've already made Heinz treasurer of the association because he's got a bigger farm and he's getting a bigger loan from us."

By this time Ernie is in no position to argue. Of course, he remembers that Heinz came over one time and mistreated his daughter. He let his stock overrun the farm, and one thing and another; but Ernie is in no position to talk back. He needs that sack of flour and a hoe—since he cannot get a tractor and cultivator to replace his old one—and a couple of cords of wood—or rather, the oil burner. Besides, he never liked the fellows across the river anyway. So he agrees.

But just as he is ready to sign on the dotted line, the banker leans over, pats him on the back and says, "Oh, by the way, there's one other thing. You know, I have some farm lands myself, the other side of town. My farms also turn out butter and wheat and cattle. I sell my stuff right here in town, so you boys will have to market your stuff somewhere else, not in this town."

Just then Ernie's missus, who has been sitting there all this time pretty quiet, pipes up and says, "By the way, Harry, what do we need that new protective association for when we have that big new United Neighbors Cooperative that we set up right after the last flood? Everybody on both sides of the river belongs to it, except for Heinz and a couple of others who won't act neighborlike. We were getting all set to build a dam and dikes on both sides of the river to hold the floodwaters. We can't build a dike just on our side of the river. Whatever's going to happen to that big co-op which we all joined to build that dike? You're a member, too, you know."

"Oh, you mean that big United Neighbors Co-op," says Harry. "That's just window dressing. That's no good for our kind of people."

By this time Ernie is so weary of all these conditions that he is in no shape to say anything more. So he signs the mortgage and the agreement—and despite the fact that they have to form a new protective association, each farmer has to sign a separate agreement with the bank.

Just as Ernie is going out the door of the bank with a slip to get a sack of flour, a hoe, and the oil burner the banker calls out to him:

"Oh, Ernie, by the way, there's just one other thing. I'm afraid you're going to have to divorce your wife. She's a Red. She wants to work with these people across the river in that big United Neighbors Co-op. She's not our kind."

Mr. President, that is the Marshall plan, ERP, BERP, or whatever we choose to call it. What we are telling the people of Europe is that they cannot have the machines they need to rebuild their industry, but they must export more anyway.

We tell them that they cannot have as much food as they will need, but we will send them plenty of tobacco.

We call this a recovery program, but admit that at the end of it they will be 10 percent worse off than in 1938. We tell them they can trade with eastern Europe, but we make it impossible for them to do so except by bootleg trade between the two areas.

Instead of lending money to Poland or returning Yugoslavia's gold so they can produce more coal and grain for western Europe, we shall be shipping the coal and grain to Europe. We are making Europe convert to oil burners so that our Standard Oil and Texaco concessions in the Middle East can make more money selling oil to Europe. We tie them up in such tight controls that they cannot breathe without calling on the American administrator. They cannot export or import without getting his permission. We demand a separate plan and agreement for each country. We make them adhere to our ideas on currency, credits, and tariffs. We make them open up their industries to American monopolies.

Our administrator will have supreme control over growing blocks of their currency which he can use in any way he wishes, to buy out control of their industries, to cause inflation or deflation, or to help favorite sons.

What happens at the end of 4 years? The experts themselves admit that at the end of this 4-year program, Europe will be eating less than it did in 1938. As for recovery, by limiting the kinds of goods we are sending them, we are indefinitely postponing recovery.

At the same time, we are doing the reverse for Germany.

We are sending Germany more machines and capital goods and helping to rebuild Germany as the center of a western federation which we are forcing down the throats of the people she devastated.

American big business moves into western Europe and can take over control, lock, stock, and barrel. All we ask is that they join us in fighting the cold war.

Earlier I pointed out that the people wanted and still want this program to be administered through the United Nations.

I was very happy to find the United Nations mentioned on page 2, and again on page 34, where there are three brief paragraphs devoted to the United Nations.

I am glad the paragraphs are devoted to the United Nations, inasmuch as there are very few in high places who are devoted to the United Nations.

The bill provides that the President is authorized to request the cooperation of or the use of the services and facilities of the United Nations. The United Nations enters into the picture in a positive way not at all.

Oh, yes, we will send the United Nations copies of our report to Congress on the operations conducted under this act and will send them copies of agreements concluded by the United States and participating countries if such registration is required by the Charter of the United Nations. We are not going to give the United Nations anything we do not have to.

That is all for the United Nations.

The bill calls for the creation of an advisory committee to be paid on a day-to-day basis, which means, of course, that the membership will have to be people of independent means; free to come and go and not be encumbered with the embarrassing necessity of holding down a regular job. That will insure that they are from the upper crust.

The bill establishes another joint congressional committee. That will mean another chairman's job and another committee staff. We will beat the Reorganization Act yet. It is already in almost as bad shape as the United Nations. That is very desirable, of course.

What I should like to point out particularly about this bill is the use of fine language and phrases in the declaration of policy, such as "the restoration or maintenance in European countries of principles of individual liberty, free institutions, and genuine independence" and "it is declared to be the policy of the United States to sustain and strengthen principles of individual liberty, free institutions and genuine independence."

As I have said, Mr. President, these are fine, high-sounding phrases; but how well do they stand up when we look at the

actual operation of the Truman doctrine abroad?

Frankly, Mr. President, as I have previously stated, I do not believe that anyone truly thinks that this program is going to be any different in operation than the so-called assistance we have been giving to foreign nations up to now.

So let us see how we sustain and strengthen the principles of individual liberty and free institutions when we move in.

In the New York Herald Tribune of Monday, March 8, there was an article, almost a full column in length, written by Homer Bigart from Athens. It begins like this:

Nicholas Kolyvas, former Minister of Justice, said today that the current wave of mass arrests, deportations, and executions was the result of the Greek Government's interpretation of the Truman doctrine. It believes, he said, that Washington desires ruthless suppression of the left as an implementation of President Truman's containment of communism theme.

Mr. President, for many months I have seen accounts in our press, with monotonous regularity, stating that 30, 40, or 50 Greeks had been shot that day—not killed in battle, Mr. President, but lined up and shot because they did not agree and see eye to eye with the government that is presently in power in Greece. That government, which we are supporting, Mr. President, is under the domination of people who collaborated with the Nazis—stooges of Adolf Hitler. The people who are being killed by hundreds, yes, by thousands, are the ones who fought against Hitler's occupation.

To return to Mr. Kolyvas, the former Greek Minister of Justice, he has this to say:

I suppose I'll be labeled a Communist and a traitor for saying this, but I believe these convictions should have been reviewed.

Poor Kolyvas. He will be next.

I read further:

Remember, some of these crimes were committed in a period of extreme political upheaval and at a time when both British and American broadcasts were urging the EAM to neutralize and repress all elements collaborating with the Germans.

In other words, the government we are supporting in Greece is now shooting the people who fought against them when they were governing for Adolf Hitler.

Mr. Bigart has this to say about the present government, or rather he is still quoting Mr. Kolyvas, and he says:

In the matter of individual freedom, the coalition government of Liberals and Populists—

Of course, the Populist are the Royalists—

this government created last September by Loy W. Henderson, State Department Director of Near Eastern and African Affairs, has proved far more repressive than even the predominantly rightist governments which preceded it, Mr. Kolyvas maintained. He said thousands of suspected leftists have been deported without trial, journalists arrested for criticizing the government, and civil servants purged for disloyalty without benefit of the right of appeal.

Of course, Mr. President, we shall not let the last item, the one about the dis-

missal of civil servants without the right of appeal, bother us too much. We are in the same boat here at home. I wonder if the perpetrators of our bipartisan foreign policy are using Greece as an experimental laboratory to see just how far you can go in kicking people around, with an eye to applying the lesson learned here at home later on.

Also, I should like to refer back to this person, Loy W. Henderson. It seems that he is the ring leader in the nefarious scheme to have us back down from our stand on Palestine. Also, I understand, Mr. President, that a Vice President does not have a great deal to do, so I hope I shall be allowed the pleasure, after January 20, 1949, of personally carrying to Mr. Henderson a note saying, "Loy, we disaffiliate."

Just below the article to which I have been referring is another, the heading of which is: "Van Fleet escapes blast plot."

It seems, Mr. President, that the top military man we have in Greece, Maj. Gen. James A. Van Fleet, narrowly missed being blown up.

One of these days somebody is going to get blown up—someone important. What shall we do then, Mr. President?

Below that article is another one with this heading: "Turkey wants United States aid to take economic form."

The article points out, strangely enough, that the Turks, who have always been known as more or less blood-thirsty fellows, feel that we are sending them too many guns, and they would like to have something to eat and wear, if we do not mind.

Let us read from the dispatch:

Ankara sources who cannot be quoted said that the military aid program was drawn up in haste. They said the general staff had no time to consider all the aspects of the program suggested by the first American mission.

At the time when aid to Turkey was first proposed, Mr. President, I heard stories to the effect that the Turks did not want any aid; that we practically had to threaten them in order to make them accept any aid at all. This dispatch would seem to bear these stories out, because it speaks of the program suggested by the first American mission. We just made them take it, Mr. President. We are making everyone take something. Perhaps they do not have enough money with which to buy it; but by heavens, someone must take it.

Now, Mr. President, I should like to quote from an editorial from the New York Herald Tribune of Saturday, March 6, 1948, to further bolster my contention that the bipartisan coalition is absolutely insincere in its protestations that we are seeking to spread democracy all over the world.

But first let us understand that the Herald Tribune is supporting the ERP—or the Marshall plan or ECA or whatever we call it. They have not yet come to the realization that what they are supporting is just some more of what they are condemning in this editorial. The editorial has this to say:

At the same time that the information division of the American aid mission—

That is the one in Greece—

was reassuring the world to the effect that the Greek press enjoys as real a freedom as that existing in the United States, two Athens editors were being jailed for expressing criticism of a type that could never have been questioned in this country, even in wartime. These editors, who are Socialists (but anti-Communists) had attacked the government for executing political prisoners who had been in jail since 1944. The crimes they were accused of had been committed against the German Nazi and Italian Fascist occupation forces. Since they had been in jail for more than 3 years they could obviously have had no part in the recent and current guerrilla activities.

Imagine that, Mr. President. Those poor devils had been in jail since 1944. They were thrown in jail by Hitler's and Mussolini's boys, for crimes they had committed against the occupation. In other words, they were patriots. But now the Greek Government which we are supporting over there takes those poor fellows out of jail—that is to say, the ones who are still alive—and shoots them.

I read further:

The reasons given for their execution at this time are hardly flattering to the United States. During the period when the British were advising the Greeks, it was felt that the death sentences would not be carried out because of the likelihood of unfavorable reaction by British public opinion and the British Labor Government. Now that the British have been replaced by the Americans, this consideration apparently no longer holds.

So they take the boys out and shoot them.

Do you not think, Mr. President, that we are just a little off base when we criticize what goes on in any other country while these things are happening in Greece? Do you not think we are just a little bit hypocritical when, in writing a bill which will enable us to carry our Greek-Turkish program to other countries, we put in words and phrases, such as these, which I quote from the bill we are considering?

To sustain and strengthen principles of individual liberty, free institutions.

I cannot and I will not vote to inflict on other people the sad fate that has overtaken the Greeks since we set out to teach them about democracy.

Mr. President, are the American people and the American mission in Greece condoning brutality and murder, or are they not? Where is there an American note to Greece like the one our State Department sent to Czechoslovakia last week? And where, incidentally, is the British Labor Government, and what is it doing about Greece? Which American spokesmen for the Truman doctrine and its successor, the Marshall plan, have spoken out in the name of this Government against what is happening in Greece? We have an American economic mission in Greece. We have an American military mission there too, guiding and instructing the Greek Army, which is responsible for arrests and executions. We have an American Ambassador in Greece. We have just sent over another top American general. Do you think for a moment, Mr. President, that the ar-

rests and executions could be possible unless the American Government representatives approved them?

In contrast to the bill before us, which I believe is a wasteful and war-breeding continuation of the Truman doctrine, I have presented a bill which is on the desks of the Senators. It embodies the Wallace-Taylor program for genuine foreign aid through the United Nations. It calls for a halt to the cold-war hysteria of the Truman doctrine and proposes immediate steps toward world disarmament.

While we are on the subject of the cold war, Mr. President, I should like to digress to call the attention of the Senate to an article which appeared in the United States News World Report, on March 5, 1948. The heading reads as follows:

Rejection of Russian feelers—Truman decision to fight on.

To leave the United States News article for a moment, it would seem that Mr. Truman is a great "fighter-on-er." I see that he has just announced that he intends to fight on, on another front here at home.

The United States News article has this to say:

Czech coup as aftermath of United States refusal to meet.

In other words, Russia wanted to talk things over. Hard-boiled Harry refused, and Czechoslovakia was the goat.

Let us follow the United States News a little further:

Premier Stalin proposed, was turned down on a Truman meeting.

You will note, Mr. President, that there is no equivocation about these statements. David Lawrence, the editor of the United States News, is not one to make such flat statements unless he can back them up.

To continue:

United States decision is to go on with cold war, to try to win back gains Russia makes in Europe.

I digress here, Mr. President, to say that that, in my opinion, is absolutely asinine. Unless we are prepared to use everything we have, right down to the atom bomb, we are not going to win back any gains that Russia has made or may make. The only sensible thing to do is to get together, end the cold war, and make a serious and sincere effort at co-operation. I do not believe that will be done so long as we have a Government so completely under the domination of big business and the military.

The News article has this to say about the matter:

Now moves are expected as Mr. Stalin, rebuffed, goes along with plans to shove United States out of Europe and nail down victory.

United States isn't doing so well in getting the world straightened out, isn't making expected gains.

I imagine there were those who expected gains from the Truman doctrine as applied in Greece and Turkey, and who expect gains from the extension of that doctrine under the name of ECA. I did not expect gains at the time of the Greek episode. I voted against it. I

knew that no good could come from bypassing the United Nations. I do not expect gains from the new adventure we are considering except financial gains for the big business interests that will be running this program.

The article goes on to say unequivocally that the Russians asked for a conference looking toward the ending of the cold war. Mr. Truman said he would not go to Russia. Stalin offered to meet him in Stockholm. Truman said no, he would not go any place; that if Joe wanted to meet him, he would have to come to the White House. If we are not absolutely determined to carry the cold war to its hot conclusion, why did we not suggest a meeting in Cuba. The President spent the last 2 weeks down there fooling around.

However, if the President has a dread of meeting Mr. Stalin except on his own doorstep, I have a suggestion to make. Let us just saw off the balcony, put it on a warship, haul it out in the ocean some place and let them talk things over, sitting on Harry's balcony. If any good came of such a meeting, that would be the best suggestion I have heard of for getting our money's worth out of this piece of second-story work. In such a setting the event would make great headlines. In fact, its fame might be so great that the episode of Romeo and Juliet would be erased as the top balcony incident.

The News article points out that Finland and Italy may be the next to pay the price of Mr. Truman's well-known mulishness. It also says that Austria is very wobbly, and we all know that France can just as easily go one way as the other. The conclusions drawn by the United States News are these:

Shooting war, however, remains improbable. The United States does not start shooting and is not likely to start shooting because of knowledge that shooting would lead to Russian troops pouring out over all of Europe and much of Asia.

I agree that the Russian troops would fan right out if we were to start a shooting war. I am sorry I am not so complacent as the United States News appears to be when they say we are not going to start a shooting war. I will agree with the last part of the sentence quoted, Mr. President, but as to our not starting a shooting war, I am not so sure. After all, the same man is still in the White House, who, against the advice of most of America's scientists, ordered the atomic bomb dropped on Hiroshima. There is not much telling what he might do.

He is in a very precarious position politically. Frankly, I would have to have a lot to boot to trade my political prospects for his right now. When the new party really gets up steam, there is no telling what might happen. There are some people who would rather have an atomic bomb dropped on them than to see Henry Wallace elected President. So I think we do have to worry a great deal about whether or not we will start a shooting war.

The News article goes on to say:

Russia does not start shooting for several reasons. One is that she is unable to get at the United States directly unless in a

sneak attack. Another is that she fears the effect of an atomic-bomb attack when she is unable to hit back in kind. A third reason is that Russian industry is weak and the Russian people tired.

I agree with those conclusions, Mr. President.

Then the News article winds up in this way:

At some stage short of a shooting war one side or the other may tire of the fight and offer to talk when the other side too is in the mood to talk. If not, then the irritations that are building in a cold war eventually are to end in shooting war. Mr. Truman showed that he is not yet ready to talk.

I shall put this postscript on it; I do not believe it makes much difference whether Mr. Truman is ready to talk or not.

If we can prevent him issuing the orders for another Hiroshima until after the next election, I believe there will be a man in the White House in whom the Russians would have confidence and who could settle this matter very satisfactorily and honorably to everyone concerned.

But, Mr. President, I got away from the subject in hand, which was a brief description of the foreign aid bill I have introduced. My bill simply recognizes that we had better turn back to the United Nations now if we do not want war. The bipartisan Truman doctrine and the ECA would bypass the United Nations permanently, divide the world, and lead to war. My bill is based squarely on the Charter of the United Nations, which is the last best hope for peace. It will maintain these through international cooperation. It will provide real economic aid without intervention and interference with the right of nations to self-determination.

I believe the bill before us is doomed to certain failure.

It will weaken and distort the European economy at tremendous cost to this country, and it will result in American big business grabbing control of European industry.

Right here I should like to say that I am not seeking, neither shall I try, to weaken the measure which is now being considered. As I have said, I expect it to pass. I shall cooperate with the distinguished senior Senator from Michigan to try to make the bill the best bill possible. I think it will fail, but it will fail without my trying to hamstring it. I do not want that responsibility placed upon me.

My bill, "the peace and reconstruction act of 1948," provides that the United States shall take the lead through a \$5,000,000,000 contribution in setting up within the United Nations a Reconstruction and Economic Development Administration for Europe with contributions from all nations.

It provides for an emergency program to help Europe with food, fuel, and materials until the machinery of the United Nations Reconstruction Administration is ready to operate.

It would set up an ever-normal world food granary within the United Nations to assure a constant and continuing market for everything American farmers and all other farmers can produce and

provide food for hungry peoples everywhere.

It would bar the use of the United Nations Reconstruction Fund for any military expenditures.

Money would be made available to all European nations in need without political strings, after each country had obtained approval of its own plan from the United Nations Reconstruction Administration.

My bill would permit universal disarmament to prevent war.

Mr. President, I believe a foreign policy for peace must look forward eventually to cutting military expenditures to 10 percent of the current rate if we are to stop the wasteful spending of an ever-increasing part of our budget in a hopeless arms race and save ourselves from becoming a totalitarian military state.

My bill is a bill for peace and reconstruction. The Truman doctrine in ECA is a bill that prepares for war and puts Europe on a permanent dole.

If the American people could choose freely, they would choose for peace, not war; for genuine reconstruction, not permanent poverty. I am convinced they will choose our way in November.

[Manifestations of applause in the galleries.]

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. TAYLOR. I yield.

Mr. VANDENBERG. The able Senator from Idaho has submitted a substitute bill, and of course he is entitled to a vote upon it. Under the rules a substitute cannot be voted upon until all amendments which are pending shall be disposed of. I think it would be logical to vote upon the substitute at this time. I therefore submit the following unanimous consent proposal:

I ask that the rule be suspended, that the substitute submitted by the able Senator from Idaho be immediately presented to the Senate, and that without amendment or further debate the Senate shall proceed by yeas-and-nays vote to vote upon it.

Mr. CHAVEZ. Mr. President, I object.

The PRESIDING OFFICER. The Senator from New Mexico objects.

Mr. RUSSELL. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield to the Senator from Georgia.

Mr. RUSSELL. I merely wished to propound a parliamentary inquiry, but I shall wait until the Senator has concluded.

Mr. VANDENBERG. Mr. President, I know the Senator from New Mexico shares my desire to proceed to a conclusion with reference to this situation. Certainly there could be no fairer time to vote on the substitute offered by the able Senator from Idaho than at the conclusion of his address. I am not even asking for an opportunity to discuss his substitute. I think it will greatly facilitate the proceedings, and it would be highly logical, if the vote should occur immediately following the Senator's address. I think he is in agreement with the suggestion, and I very earnestly request my friend from New Mexico to permit us to proceed in that fashion.

Mr. CHAVEZ. Mr. President, I have noticed that there were very few Senators present and listening to the Senator from Idaho when he delivered his interesting address, and I am sure that the Senators are so much interested in doing the right thing that they would prefer at least to read in the RECORD the remarks of the Senator from Idaho. Notwithstanding my great desire to cooperate with the Senator from Michigan and conclude the proceedings in connection with the subject with as little delay as possible, I think Senators should have an opportunity to read in the RECORD the remarks of the Senator from Idaho.

Mr. VANDENBERG. I submit another unanimous-consent request. I ask that when the Senate convenes at noon tomorrow, the substitute offered by the Senator from Idaho shall be submitted to the Senate, and that without amendment or further debate at that time the Senate shall proceed to vote by yeas and nays upon the substitute.

The PRESIDING OFFICER. Is there objection to the request?

Mr. RUSSELL. Mr. President, reserving the right to object, I should like to inquire whether or not there is an amendment to the original committee bill pending at the present time.

The PRESIDING OFFICER. At the present time there is no amendment to the original bill pending.

Mr. RUSSELL. Then, I should like to know of any rule which prevents an immediate vote on the substitute.

The PRESIDING OFFICER. In the opinion of the Chair there is nothing that would prevent the substitute being voted on at this time.

Mr. RUSSELL. Under my construction of the rules, Mr. President, if a substitute has been offered and is pending, and there is no amendment to the original bill pending, the Senate must vote on the substitute, and there is no reason on earth for avoiding a vote on the substitute which has been submitted and is now pending. There is no amendment to the original bill pending, and there is no parliamentary way to avoid a vote on the substitute, unless some Senator wishes to address himself to the question.

Mr. VANDENBERG. Of course, even if the substitute is pending, it could be the basis of continuing speeches this afternoon, which we know are contemplated in respect to the bill itself, and the program of speeches probably would continue without voting on the substitute. The very earnest desire of the Senator from Michigan was to bring this particular phase of the matter to a definite conclusion.

Mr. RUSSELL. I share the desire expressed by the Senator from Michigan, and if Senators who have speeches ready would restrain themselves for a moment, a vote on the substitute would be in order, and the Senate could proceed to vote on it without any delay whatever.

Mr. VANDENBERG. The Senator is quite correct about that. I am assuming, however, in view of the objection to the unanimous-consent request, that there would be objection to the procedure the Senator has indicated, and of course

Senators have ample resources at their command to prevent the result.

Mr. RUSSELL. I wanted to make clear that there was no parliamentary obstacle to an immediate vote on the substitute.

Mr. VANDENBERG. I think my second request meets the desire of the able Senator from New Mexico, and on that basis I am hoping it may be agreed to.

Mr. CHAVEZ. Mr. President, I will go further than that. My reason for objecting was only in order that Senators might have an opportunity to familiarize themselves with the substitute, but if the parliamentary situation is such that the Senate can vote now, I am willing that the vote may be taken at this time.

Mr. VANDENBERG. I understand the Senator withdraws his objection to my original request.

The PRESIDING OFFICER. Is there objection to the original unanimous-consent request of the Senator from Michigan? The Chair hears none, and the order is made.

The question is on agreeing to the amendment offered by the Senator from Idaho [Mr. TAYLOR] in the nature of a substitute.

The amendment in the nature of a substitute is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

"That this act may be cited as the 'Peace and Reconstruction Act of 1948.'

"FINDINGS AND DECLARATION OF POLICY

"SEC. 2. The Congress finds that after the horror and devastation of World War II the victorious coalition, responding to the highest and noblest hopes of mankind everywhere, established the United Nations for the promotion and maintenance of peace. It is the declared purpose of the United Nations to maintain international peace and security; to take effective collective measures for the prevention and removal of threats to the peace; to develop friendly relations among nations based on respect for the principle of equal rights and the self-determination of peoples; to achieve international cooperation in solving international problems of an economic, social, cultural, or humanitarian character; to employ international machinery for the promotion of the economic and social advancement of all peoples; and to be a center for harmonizing the actions of nations in the attainment of these ends. Realization of these principles through the United Nations remains the world's last best hope for peace. The United States as initiator of the United Nations and a signatory to its Charter has the high responsibility of strengthening its organization and, through it, building the foundations of an enduring peace.

"Yet the foreign policy of the United States as embodied in the Truman doctrine and as practiced continuously since the announcement of that doctrine has seriously weakened the United Nations as an instrument for world peace and collaboration, and negated the high purposes of its Charter. Instead of taking collective measures, through the United Nations, for the prevention and removal of threats to the peace, unilateral action under the Truman doctrine has divided the world into hostile blocs. Instead of employing international machinery for the promotion of the economic and social advancement of all peoples, the Truman doctrine has employed the economic might of the United States unilaterally for political ends. Instead of respecting the principle of equal rights and the self-determination of peoples, the Truman doctrine has intervened

in the internal affairs of other nations. Instead of making use of the United Nations as a center for harmonizing the actions of nations, the Truman doctrine has bypassed the United Nations and provoked international suspicion and tension which, if unchecked, can lead only to war.

"It is therefore declared to be the policy of the Congress that the United States take immediate steps to repudiate the Truman doctrine and reassert leadership in the great task of establishing and maintaining peace through the United Nations. It is the further policy of the Congress to respond to the desperate need of the European victims of Axis aggression for the reconstruction and economic development of their war-devastated lands by providing aid through the instrumentality of the United Nations and in accordance with the purpose of its Charter to employ international machinery for the promotion of the economic and social advancement of all peoples, while guaranteeing their right to determine for themselves the forms of their social, political, and economic institutions, without intervention or interference.

"UNITED NATIONS EUROPEAN RECONSTRUCTION AND ECONOMIC DEVELOPMENT ADMINISTRATION

"SEC. 3. (a) The Congress calls upon the President to request the Secretary General of the United Nations to convene a special session of the General Assembly of the United Nations at the earliest possible date.

"(b) The Congress calls upon the President to instruct the representatives of the United States in the General Assembly, upon the convening of that body, to submit a proposal for the establishment of a European Reconstruction and Economic Development Administration (herein referred to as the 'Administration') within the United Nations, based upon the following principles:

"(1) The Administration shall include representatives of the United States and of all European members of the United Nations.

"(2) The Administration shall be charged with the administration and distribution of a European Reconstruction and Economic Development Fund (herein referred to as the 'fund').

"(3) The fund shall be made up by voluntary contributions from members of the United Nations, or by quotas determined by the Administration on the basis of ability to pay and shall be in the aggregate amount of at least \$25,000,000,000 over a period of 5 years.

"(4) The fund shall be available to provide loans or grants to individual European nations for the purposes of rehabilitation, reconstruction, and economic development, to the end that the immediate human suffering of their people may be alleviated and their industry and agriculture restored and placed on a self-sustaining basis at the earliest practicable time. In addition, loans and grants may be made available for industrial development, with special emphasis on the industrially backward nations, to raise the living standards of their people, provide for the full utilization of their natural resources and promote economic cooperation and world trade.

"(5) Priority in the allocation of funds shall be given to those nations which suffered most severely from Axis aggression. All allocations of funds shall be based solely on this consideration and on the basis of need, without regard to the character of the political and social institutions of the recipient nation and without the imposition of any political conditions or any economic conditions other than those necessary to insure that the allocated funds will be expended for the purpose for which the allocation was made, without waste or inefficiency.

"(6) The entire fund shall be used exclusively for peaceful purposes, and no alloca-

tion shall be made to finance the purchase, manufacture, or maintenance of any military establishment, armaments, munitions, military supplies, or equipment of any kind or character whatsoever.

"(7) Special attention shall be given to raising the levels of food production, providing an ever-normal world food granary and raising the minimum nutrition and shelter standards of all recipient nations.

"SEC. 4. There is hereby authorized to be appropriated the sum of \$5,000,000,000 for the fiscal year commencing July 1, 1948, and a like sum for each of the four fiscal years next following, which shall be available for payment by the United States to the European Reconstruction and Economic Development Administration from and after the date it is established.

"EMERGENCY AID

"SEC. 5. In order to provide immediate emergency relief to the peoples of the war devastated European nations pending the establishment of the United Nation's European Reconstruction and Economic Development Administration, the President, acting through such departments, agencies, or independent establishments of the Government as he shall direct, may make grants to the governments of European nations to finance the procurement, from any source determined by the recipient of food or fuel or any commodity, machinery, or equipment required for the production of food or fuel. In determining the nations to which grants shall be made under this section, and the amounts of such grants, the President shall be bound by the provisions of subdivision (5) of section 3 of this act and no economic, political, or other conditions shall be attached to such grants except for the united purpose expressly provided in subdivision (5) of section 3 of this act.

"SEC. 6. There is hereby authorized to be appropriated not to exceed \$500,000,000 to carry out the provisions of section 5 of this act: *Provided*, That no funds shall be obligated under such appropriation subsequent to January 1, 1949, or the date of the organization of the United Nation's Reconstruction and Economic Development Administration, whichever is earlier.

"REDUCTION OF ARMAMENTS

"SEC. 7. From and after the effective date of this act, and notwithstanding any other provision of law, the United States shall not in time of peace, unless the Security Council of the United Nations shall otherwise determine, give or sell to any other nation any military or naval equipment, munitions, arms, armament, or supplies, or finance the purchase of the same by any other nation, and any moneys heretofore appropriated by the Congress for any such purpose shall not be obligated therefor.

"SEC. 8. It shall be the declared policy of the United States to promote universal disarmament as a means of preventing war and removing the crushing burden of mounting armament appropriations from the people of all lands, including our own. To that end, the Congress calls upon the representatives of the United States in the United Nations to propose to the Commission for Conventional Armaments the immediate reduction by all nations in their armament and military expenditures for all types of armaments to an amount not in excess of 10 per centum of the current rate."

Mr. VANDENBERG. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. RUSSELL. A parliamentary inquiry. I am prepared to vote, but it occurred to me that it might be well to have a quorum called.

Mr. VANDENBERG. Will the Senator yield?

Mr. RUSSELL. I yield.

Mr. VANDENBERG. The Senator from Michigan understands that the order is entered for an immediate yeas-and-nays vote, and therefore I suggest the absence of a quorum, with the understanding that the Senate will immediately vote thereafter.

The PRESIDING OFFICER. The Senator from Michigan suggests the absence of a quorum. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Gurney	O'Daniel
Ball	Hayden	O'Mahoney
Barkley	Hickenlooper	Overton
Brewster	Hill	Pepper
Bricker	Hoey	Reed
Bridges	Holland	Revercomb
Brooks	Ives	Robertson, Va.
Buck	Jenner	Robertson, Wyo.
Butler	Johnson, Colo.	Russell
Byrd	Johnston, S. C.	Saltonstall
Capehart	Kem	Smith
Capper	Kilgore	Sparkman
Chavez	Knowland	Stennis
Connally	Langer	Stewart
Cooper	Lodge	Taft
Cordon	Lucas	Taylor
Downey	McCarran	Thomas, Okla.
Dworshak	McClellan	Thomas, Utah
Eastland	McGrath	Thye
Ecton	McKellar	Tobey
Ellender	Martin	Vandenberg
Ferguson	Maybank	Watkins
Flanders	Millikin	Wherry
Fulbright	Moore	Wiley
George	Murray	Williams
Green	O'Connor	Wilson

Mr. WHERRY. I announce that the Senator from Connecticut [Mr. BALDWIN] is absent because of the death of the Governor of Connecticut.

The Senator from South Dakota [Mr. BUSHFIELD], the Senator from Nevada [Mr. MALONE], the Senator from Wisconsin [Mr. MCCARTHY], and the Senator from Oregon [Mr. MORSE] are necessarily absent.

The Senator from Missouri [Mr. DONNELL] is absent by leave of the Senate.

The Senator from Maine [Mr. WHITE] is absent because of illness.

The Senator from North Dakota [Mr. YOUNG] is absent by leave of the Senate.

The Senator from Washington [Mr. CAIN] is detained on official committee business.

The Senator from New Jersey [Mr. HAWKES] is unavoidably detained.

The PRESIDING OFFICER. Seventy-eight Senators having answered to their names, a quorum is present.

Under the unanimous-consent agreement the question now recurs on agreeing to the amendment offered by the Senator from Idaho [Mr. TAYLOR] in the nature of a substitute. The clerk will call the roll.

The legislative clerk called the roll.

Mr. WHERRY. I announce that the Senator from Connecticut [Mr. BALDWIN] is absent because of the death of the Governor of Connecticut. If present and voting, he would vote "nay."

The Senator from New Jersey [Mr. HAWKES] and the Senator from Iowa [Mr. WILSON] are unavoidably detained. If present and voting, the Senator from New Jersey and the Senator from Iowa would vote "nay."

The Senator from South Dakota [Mr. BUSHFIELD], the Senator from Wisconsin [Mr. MCCARTHY], the Senator from Nevada [Mr. MALONE], and the Senator from Oregon [Mr. MORSE] are necessarily absent. If present and voting,

the Senator from South Dakota [Mr. BUSHFIELD], the Senator from Oregon [Mr. MORSE], and the Senator from Nevada [Mr. MALONE] would vote "nay."

The Senator from Washington [Mr. CAIN] is detained on official committee business. If present and voting, he would vote "nay."

The Senator from Missouri [Mr. DONNELL] and the Senator from North Dakota [Mr. YOUNG] are absent by leave of the Senate.

The Senator from Maine [Mr. WHITE] is absent because of illness.

Mr. LUCAS. I announce that the Senator from New Mexico [Mr. HATCH] and the Senator from Arizona [Mr. MCFARLAND] are absent on official business.

The Senator from Washington [Mr. MAGNUSON] and the Senator from Pennsylvania [Mr. MYERS] are absent on public business.

The Senator from Connecticut [Mr. McMAHON] is absent attending the funeral services of the late Governor of Connecticut, Hon. James L. McConaughy.

The Senator from Maryland [Mr. TYDINGS] is absent because of illness.

The Senator from North Carolina [Mr. UMSTEAD] and the Senator from New York [Mr. WAGNER] are necessarily absent.

If present and voting, the Senator from New Mexico [Mr. HATCH], the Senator from Arizona [Mr. MCFARLAND], the Senator from Washington [Mr. MAGNUSON], the Senator from Pennsylvania [Mr. MYERS], the Senator from Connecticut [Mr. McMAHON], the Senator from Maryland [Mr. TYDINGS], the Senator from North Carolina [Mr. UMSTEAD], and the Senator from New York [Mr. WAGNER] would vote "nay."

The result was announced—yeas 3, nays 74, as follows:

YEAS—3		
Langer	Pepper	Taylor
NAYS—74		
Aiken	Green	O'Connor
Ball	Gurney	O'Daniel
Barkley	Hayden	O'Mahoney
Brewster	Hickenlooper	Overton
Bricker	Hill	Reed
Bridges	Hoey	Revercomb
Brooks	Holland	Robertson, Va.
Buck	Ives	Robertson, Wyo.
Butler	Jenner	Russell
Byrd	Johnson, Colo.	Saltonstall
Capehart	Johnston, S. C.	Smith
Capper	Kem	Sparkman
Chavez	Kilgore	Stennis
Connally	Knowland	Stewart
Cooper	Lodge	Taft
Cordon	Lucas	Thomas, Okla.
Downey	McCarran	Thomas, Utah
Dworshak	McClellan	Thye
Eastland	McGrath	Tobey
Ecton	McKellar	Vandenberg
Ellender	Martin	Watkins
Ferguson	Maybank	Wherry
Flanders	Millikin	Wiley
Fulbright	Moore	Williams
George	Murray	

NOT VOTING—19

Baldwin	McFarland	Umstead
Bushfield	McMahon	Wagner
Cain	Magnuson	White
Donnell	Malone	Wilson
Hatch	Morse	Young
Hawkes	Myers	
McCarthy	Tydings	

So Mr. TAYLOR's amendment in the nature of a substitute was rejected.

Mr. BREWSTER. Mr. President, on behalf of the senior Senator from Maine [Mr. WHITE], the Senator from Illinois [Mr. BROOKS], the senior Senator from Nebraska [Mr. BUTLER], the junior Sen-

ator from Nebraska [Mr. WHERRY], the Senator from Louisiana [Mr. ELLENDER], the Senator from Montana [Mr. ECTON], the Senator from Idaho [Mr. DWORSHAK], the senior Senator from Washington [Mr. MAGNUSON], the Senator from Utah [Mr. WATKINS], the Senator from New Jersey [Mr. HAWKES], the junior Senator from Washington [Mr. CAIN], and myself, I offer the amendment which I send to the desk and ask to have stated. It deals with the authorization in the bill providing for the possible charter foreign of 300 dry cargo ships.

The PRESIDING OFFICER. The amendment offered by the Senator from Maine on behalf of himself and other Senators will be stated.

The CHIEF CLERK. On page 15, line 24, beginning with the word "merchant", it is proposed to strike out all through "subsection," on page 16, line 1.

On page 16, beginning with line 10, it is proposed to strike out all through line 20.

On page 16, line 21, it is proposed to strike out "(5)" and insert in lieu thereof "(4)."

The PRESIDING OFFICER. Without objection, the amendments will be considered en bloc.

Mr. BREWSTER. Mr. President, I should like to explain very briefly what the amendment involves.

There is a provision in the bill that 300 American ships may be chartered foreign. We have already adopted an amendment that 50 percent of the American products going into this project shall be carried in American bottoms. This amendment will complement the other very well because, according to present figures, foreign-flag ships now have approximately sufficient capacity to carry 50 percent of the freight, and Americans now have a similar capacity in operation under the Maritime Commission. Consequently the adoption of this amendment will simply confirm the status quo and enable the intent of the 50-percent amendment properly to be carried out.

There is very great concern in the shipping industry over the future of our merchant marine. There is a very extensive shipbuilding program going on in foreign countries. Fifteen million tons are either under construction, contracted for, or contemplated. For that purpose 6,000,000 tons of steel will be required, and it is contemplated that 2,000,000 tons of such steel may come from this country.

The State Department has recommended deferring the portion of the ship-construction program which has not yet been contracted for. The Administrator may very well desire to exercise further restriction as to the amount of steel which may be used for a priority of this character. Inasmuch as there are sufficient ships for the present to solve the problem, I hope that the construction in European shipyards will not be carried on to the limit of their present capacity, which is twice the normal construction. However, that situation is not affected by this amendment, except as it may be an indication of our desire.

Mr. ROBERTSON of Virginia. Mr. President, as I understand, the Senator

from Maine is offering an amendment to remove from the bill a provision authorizing the temporary transfer of 300 of our Liberty ships.

Mr. BREWSTER. That is correct.

Mr. ROBERTSON of Virginia. Representative BLAND, of Virginia, has served on the House Committee on Merchant Marine and Fisheries for more than a quarter of a century. During 14 years of that time he was chairman of the committee. In my judgment there is no Member of the Congress who is more familiar with our merchant marine than is Representative BLAND. I have discussed this question with him, and he tells me that in his opinion it would be very injurious to our merchant marine if we transferred any more of these ships to foreign countries.

Mr. BREWSTER. I may say to the Senator from Virginia that 2 days ago I placed in the RECORD a letter from Mr. BLAND indicating his very serious opposition to such a program. At that time I characterized him as one of the oldest and best friends of the American merchant marine.

Mr. ROBERTSON of Virginia. I also wish to say that my colleague from South Carolina [Mr. MAYBANK], who has left the Chamber to attend the hearings of the Committee on Banking and Currency on the confirmation of the nomination of Mr. McCabe, asked me to say for him, if I had an opportunity to do so, that he is in sympathy with this amendment.

Mr. VANDENBERG. Mr. President, the section of the bill which the able Senator from Maine proposes to delete is the only section in the bill, I believe, with respect to which the Committee on Foreign Relations divided in its consideration of the bill. There was very sharp division in the committee on the subject.

As the bill was originally submitted, it provided for not only the charter but the sale of ships to foreign countries. The committee struck out the provision for the sale of ships, and left in the bill the provision for the charter of ships.

As chairman of the Foreign Relations Committee, I am not in a position to approve the amendment of the Senator from Maine on behalf of the committee. But in my own personal capacity I should like to say that it seems to me that since Congress itself within the past 60 days has passed a bill, which has become the law of the land, prohibiting the charter or sale of any of our ships to foreign countries, this provision in this bill would be, to put it mildly, inappropriate.

So far as the Senator from Michigan in his personal capacity is concerned, he will vote for the amendment of the Senator from Maine.

Mr. BARKLEY. Mr. President, the other day, when this amendment was offered, to be printed and lie on the table, I made a brief statement with reference to the reason why the committee inserted the provision in the bill. As the Senator from Michigan has stated, when the bill came to the committee originally it carried a provision for the sale of 200 ships and the chartering of 300 ships, on the theory that the 2,000 ships which are now tied up in the harbors and ports and

streams of this country might well be utilized to carry some of the freight which is to be procured under this proposed act; and that inasmuch as it would require a considerable outlay of money to condition those ships so as to make them seaworthy, it might be well to charter some of them and sell some of them, in an aggregate number of 500, to foreign countries, in order to enable them to carry that proportion of the commodities to be procured in other countries than the United States, or even in this country to some extent.

Attention was called at the time to the fact that the Senate had just passed a bill prohibiting either the sale or the charter of these ships to any person not of American citizenship. There was a division in the committee with reference to that matter. In the committee—I voted for the provision, because I felt that on the showing made in regard to these particular ships there would be a saving to the Treasury of the United States if some of the 2,000 ships—one-quarter of them, to be exact—were made available to the countries which are to be the beneficiaries of this program, to enable them to carry in such temporarily chartered ships a part of the commodities to be procured.

But since the amendment was adopted in the committee, additional information has become available, and it indicates that probably it would cost approximately \$25,000 to recondition each of these ships. Three hundred times \$25,000 is a considerable amount of money, and probably it would have to come out of the Treasury of the United States. So the amount of net savings on account of the use of these ships, through their charter to other countries, thus would be considerably reduced.

When the committee struck out the provision for the sale of 200 ships, it was stated by the State Department, through its spokesman, that it would cost approximately \$50,000,000 out of the Treasury to haul these products, without the charter or sale of any of these ships; and we were really asked to add \$50,000,000 to the \$5,300,000,000 in order to take care of that item. However, that was not done.

In view of all these circumstances, I am not prepared today to oppose the adoption of the amendment of the Senator from Maine, eliminating the provision for the chartering of 300 ships. We might argue legitimately as to the amount of money that would be saved or as to how much it would cost the Treasury, depending on whether we charter them or do not charter them; and I suppose we might contend that the last word of Congress which is inconsistent with some previous act would take precedence over that act and would become effective.

But inasmuch as a few days ago the Congress did enact a law prohibiting the charter or sale of any of these ships. I do not wish to be insistent or to have the Senate be insistent in retaining this paragraph in the bill.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. BREWSTER. In that connection I have also had the information about

which I spoke to the Senator the other day, namely, that so long as these ships operate under the American flag, there will be, I believe, an estimated \$27,000,000 paid to the United States Government for their charter or hire, under the provision that 15 percent of the value of the ships shall be paid each year. Of course, there will possibly be increased costs of operation in sailing them under the American flag, but we recognize that in connection with all our maritime legislation.

Mr. BARKLEY. Yes; I appreciate that. I am told that there possibly would be an income of \$27,000,000, but that would be offset by the cost of operating the ships, the sale of which was contemplated as the proposal came to the committee originally.

These ships were built as a result of the war, Mr. President. I express the earnest hope that we shall not allow these ships, which were built with the money of the taxpayers of the United States, to rot in the harbors and rivers and estuaries of the United States, without trying to put them to some use. Although they were wartime ships, they cost the American people considerable sums of money.

So I hope that what we do today will not in any way interfere with the use of those ships for the benefit of the American merchant marine, but will stimulate their use either by our own country or through private ownership, if anyone is willing to buy them and operate them, so that we shall not be compelled to see approximately 2,000 Liberty ships rot in our harbors during the next 2 years.

Mr. BREWSTER. Mr. President, will the Senator further yield?

Mr. BARKLEY. I yield.

Mr. BREWSTER. I hope the Senator from Kentucky will also find himself in agreement with the policy indicated by the State Department, namely, that the European ship-construction program should be somewhat slowed down, since it is not an essential priority. The ships are available. Although we wish to keep up their normal shipbuilding and shipping activity, nevertheless if it were to be carried too far, that obviously would be an unwarranted strain on our steel supply, as well as on the manpower of the foreign countries.

Mr. BARKLEY. I appreciate that situation. It is a complicated matter. The question of how much steel to be applied to these purposes we should allocate to foreign countries, and so forth, definitely enters into the situation.

At any rate, I hope we shall utilize the existing ships to the best possible purpose.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. WHERRY. I should like to ask the Senator whether he knows how much steel is to be allocated in the 4-year period of the Marshall plan, and particularly in the first year, for the construction of ships under the shipbuilding programs of the recipient countries.

Mr. BARKLEY. I cannot answer that question.

Mr. BREWSTER. Mr. President, it is contemplated that 2,000,000 tons of steel shall be exported. We cannot say definitely whether all of it will go into the building of ships or into other channels, although obviously not all of it would be used for the building of ships.

Mr. BARKLEY. Obviously all of it will not go into the building of ships.

Mr. WHERRY. Of course not. But I wonder whether a break-down has been made, to show how much of the steel is allocated to the shipbuilding program of the 16 countries.

Mr. BREWSTER. They contemplate building ships which will require 6,000,000 tons of steel in the next 4 years. That is the requirement for the shipbuilding program for Europe. That is the total drain, regardless of whether it is on our steel supply or on the European steel supply.

Mr. BARKLEY. Yes. Of course, undoubtedly a considerable portion of the steel which will be required by the European countries will come from the United States. Of course, much of the steel they require will come from the Ruhr. But I do not think there is any break-down to show how much of the steel will be allocated to shipbuilding.

Mr. WHERRY. Mr. President, I inquire who has the floor?

The PRESIDING OFFICER. The Senator from Kentucky has the floor.

Mr. WHERRY. Will the Senator yield to me?

Mr. BARKLEY. I yield.

Mr. WHERRY. If 300 of these ships should be chartered, would that permit a reduction in allotment of steel for the shipbuilding program this year under the Marshall plan?

Mr. BREWSTER. It would have no direct effect upon it at all.

Mr. WHERRY. None whatever?

Mr. BREWSTER. It would be wholly in the hands of the Administrator of the program to determine whether he would exercise his authority to retard the European ship construction, according to whether he considered it essential.

Mr. WHERRY. No; I did not mean that.

Mr. BARKLEY. It is possible that if the 300 ships were used in order to carry the products to Europe it would reduce the amount of steel that would be necessary in order to construct new ships.

Mr. WHERRY. That is correct.

Mr. BARKLEY. Of course, the Administrator would have the right, and it would be his duty, to take that into consideration in determining the allotment of the steel to recipient nations.

Mr. WHERRY. That is the point I raised. I think it is a very salient point.

Mr. BARKLEY. Whether the 300 ships were used by the recipient countries or by the United States, or by some private enterprise, that would have no direct effect.

Mr. WHERRY. I understand that. I was merely wondering whether, in the final analysis, if the ships were chartered and put into operation, it would not relieve the commitment of steel to the amount involved and make it that much

easier on a commodity which is very scarce in this country at the present time.

Mr. BARKLEY. Whether chartered or not, their use would undoubtedly reduce the requirement for steel in shipbuilding.

Mr. CONNALLY. Mr. President, I merely want to say a word or two on this matter. The form in which it was first presented to the committee has already been stated in the debate. There are two aspects of it; on the one hand, the additional expense of Government operation, and on the other, the desirability of aiding our merchant marine and our merchant seamen.

Mr. President, it seems to me there is one other point worthy of note. In the great program we are initiating, it seems to me to be just as well that we here control as much as we can the shipping itself, the vessels, and the sending of the vessels to the different ports. Mr. President, because of the consideration of giving employment to our American merchant marine, together with all the other considerations, I shall vote for the amendment.

Mr. LODGE. Mr. President, as one member of the committee who voted against putting this language in the bill, I think perhaps I should say a word for the RECORD. There was one argument in favor of the language which was persuasive, and that was that it would tend to reduce the cost of operations under the bill. But I felt that there were many qualifying factors which diminished the saving that would occur. I also felt that broad considerations of national policy would make it advisable for us to maintain a merchant marine and made it on the whole desirable that the language should not be retained in the bill. Therefore, I am happy to give my support to the amendment offered by the Senator from Maine.

Mr. PEPPER. Mr. President, I merely wish to subscribe to that sentiment. I believe we made a great mistake after the last war in letting our merchant marine deteriorate. It cost us many hundreds of millions of dollars to restore it. At one time during the war, we had the basis of the greatest merchant marine that any nation has ever had. In many respects I think the great marine power we once possessed has been dissipated. I think the time will come, if we further dissipate it, when we shall have to restore it at a vastly increased expenditure to the country. Therefore, in the national interest, in furtherance of our national economy, and out of a due regard to the merchant seamen who would be thrown out of employment if the proviso were retained in the bill, I hope the amendment of the Senator from Maine will be agreed to.

The PRESIDING OFFICER (Mr. Ives in the chair). The question is on agreeing to the amendment submitted by the Senator from Maine [Mr. BREWSTER] for himself and other Senators.

The amendment was agreed to.

Mr. O'DANIEL. Mr. President, I rise in opposition to Senate bill 2202, commonly known as the Marshall plan. The so-called Marshall plan is the most mys-

terious crossword puzzle of the century. It has been presented to the people of this Nation as being so many different things that they are completely confused and bewildered. The Nation has been divided into groups and each group has been propagandized separately to show that they may be benefited, but very little has been said about the destruction that will be wrought to our Nation as a whole.

Religious groups throughout the country have been propagandized and told that the Marshall plan is a great humanitarian act of charity. Industrialists have been told that it will provide a highly profitable foreign market for the goods they manufacture. Farmers are told that it will keep agricultural commodity prices high. Laboring people are told that it will provide them with plenty of jobs at high wages. The people of certain foreign countries are told that it will rebuild their factories, increase their standard of living, and restore their economy. The rank and file of patriotic American citizens who believe in the American constitutional form of government and who do not want to see our Government converted to socialism or communism are told that the Marshall plan will stop communism dead in its tracks in Europe before it spreads across the Atlantic Ocean and takes control here. Mothers and fathers are being told again and again and again that it will keep their boys and girls from being called to fight and perhaps die on foreign soil. American voters are being told, "See how we dehorned the thing or pulled its teeth—vote for us." American taxpayers are being told to "wait patiently until we get through giving everything away and then we will reduce your taxes." Consequently, Mr. President, it is difficult to know what the Marshall mystery plan really is.

The so-called Marshall plan not only originated mysteriously but since its start it has been amended or modified to meet the whims of any person or group whose support the administration thought was needed to assure the passage of the measure by Congress. Secretary Marshall said, "All or nothing." So he was slapped down in effigy by amending the proposal to authorize it in four smaller yearly doses instead of just one big 4-year dose. This great improvement was evidently based on the same philosophy that applies to cutting off the dog's tail inch at a whack so it will not hurt so much. It really does not hurt the man with the ax who cuts off the dog's tail, but the poor dog, like the American taxpayer, can only howl in a language his tormenters cannot or will not understand.

A great howl went up about permitting the plan to be administered by the Secretary of State. So the plan was amended to let somebody else administer it. But the joke is that both the Secretary of State and the new Administrator are appointees of the same President, who, of course, is the actual administrator, and each must perform as instructed by his boss, the President. So the only difference created by that change is to set up a new bureau under a newly created assistant to the President, and to create more Federal jobs.

On top of all this confusion, deception, and meaningless changes the bill finally comes to the floor of the Senate in printed form, the reading of which convinces me that it will permit the executive branch of our Government to do anything under the shining sun, from playing tiddly winks to waging war with anyone or any nation from Helsinki to Shanghai. I am firmly convinced that the master minds in their hideouts who advise our executive branch care not one whit what is printed in the bill, just as long as the authorization for the \$5,000,000,000 is there. That is the essence of the Marshall plan—billions, billions, and more billions to scatter to the four winds.

So, Mr. President, with this picture of the Marshall plan in mind I shall now analyze it and express my views on the subject. In expressing my views on the plan, let it be distinctly understood that I am expressing them exclusively on the plan, and making no statements or insinuations about persons. I give full credit to the honesty, sincerity, and patriotism of every Member of the Senate. Here each of us has the unquestioned right to his own opinion and his own way of expressing his opinion. I am merely expressing my own opinion of the plan.

In the first place, it certainly cannot be denied that the Marshall plan, from an over-all viewpoint, follows the same general line as many previous bills which have been under consideration by the Senate, and which were approved by the Senate. I refer to lend-lease, to UNRRA, the British gift-loan, Greek-Turkey aid, aid to China, and the interim France-Italy contribution. I opposed each and every one of those plans for several good and valid reasons. One good reason is that such tactics constitute meddling in the internal affairs of foreign nations and step by step lead to one war after another. Another reason is that such tactics result only in pouring billions of dollars down rat-holes, while conditions in recipient nations have constantly grown worse. Another reason is that it guts our Treasury, impoverishes our taxpayers, and weakens our economic structure at a time when another war is staring us in the face and we need a strong economy. Another reason is that all of these expedients have taken money from American taxpayers, either by taxation or by the borrowing process, and given their money to foreigners. I consider such action to be a flagrant violation of the Constitution of the United States of America.

Inasmuch as I have taken a solemn oath to uphold and defend the Constitution it is my purpose to respect that oath. It is my judgment, Mr. President, that, regardless of the language used, whether the Marshall plan calls for direct donations or loans, the net result will be that the sum total cost of both the direct grants and the loans must ultimately be paid by the American taxpayer.

As I read the Constitution of the United States, I find nothing in that document which authorizes the Congress to appropriate the money of the American taxpayer out of the Treasury and give it to some foreign government. That reason alone, I think, is sufficient cause for opposing the Marshall plan even if I had no

other reason. I believe that the Constitution was adopted with the understanding and with the full intention that it should be observed by the Congress of the United States.

Suppose we consider the Marshall plan as a great humanitarian act of charity, as is claimed by some of its proponents. This naturally has a strong appeal to me because I believe sincerely in charity. Charity is taught and recommended by the Holy Scriptures, but as I interpret the the commandments of God and the teachings of Christ, they were directed to individual human beings and not to corporations or governmental organizations. In the first place, men and women have souls while organizations are soulless.

In some cases charity might be practiced as an eternal protection to the human soul. When the body is laid to rest and the soul goes on to meet its Maker an accounting of charitable activities of the individual must be made. No part of any organization is expected to go on to an eternal haven of rest or even eternal torture.

Furthermore, Mr. President, under our form of Government there is supposed to be a complete separation of church and State. Saints and sinners alike hold equal positions as citizens under our democratic form of government, and if the principle of equality and justice is a part of our governmental philosophy is it fair and just to take by force personal property from those who do not believe in charity and use it for that purpose? I think not.

Furthermore, Mr. President, when our wise forefathers wrote the Constitution of the United States, I believe they wrote the greatest document, except for the Holy Bible, ever penned by the hand of civilized and Christianized man. I believe that if ever there were inspired men the framers of our Constitution were such.

The Constitution of the United States is without doubt patterned after the Holy Bible. Our forebears recognized that there would be many citizens of our Nation who would be believers in God and many who would not be, so they wrote a constitution that would include both classes and at the same time give full protection from a governmental standpoint to each class. They did this by carefully putting down in black and white the individual powers which the citizens of this Nation transferred or delegated to their Federal Government. They were specific in listing these delegated powers. They put them down in one, two, three order. After they had enumerated all the personal powers which the citizens were delegating to their Federal Government they studied the matter further and came to the conclusion that at some time in the future some bright, designing persons might for selfish reasons try to twist the meaning of the delegated personal powers and construe them to mean something utterly different than was intended or was actually written in the Constitution. So they wrote the first 10 amendments to the Constitution, and in amendment X they nailed the meaning down by specifically stating that all powers not

therein delegated to the Federal Government, or to State governments, were retained by the people.

Mr. President, the citizens of this Nation retained many powers or rights unto themselves. They retained the right to conduct all private enterprise; the right to worship God; the right of free speech; and many other rights and powers. As a matter of fact there is not one word, syllable, or sentence in the Constitution wherein the people of this Republic ever delegated to their Federal Government the power to exercise charity for them. Consequently, Mr. President, as a duly elected official of the Government I do not have the power to exercise charity on behalf of its citizens, and regardless of the fact that I most sincerely believe in charity, I shall not violate the Constitution of the United States even to do the thing I should like to see done.

I will, as a private citizen, go down into my own pocket and take as much of my personal money as I can afford to contribute to charity. I will give to whomsoever I may choose in any nation on earth, regardless of race, religion, color, or political belief, if such people are hungry or sick and unable to sustain themselves. On the other hand, Mr. President, I will not as a Member of the Senate go into the pockets of other citizens and extract one thin dime by taxation or public borrowing to give it as charity to foreigners. I will not do it because, under the Constitution, I do not possess the authority to do so.

Now, Mr. President, if the people of this Nation want to turn their Government into a charitable organization, it is within their power to do so by the process of amending the Constitution. But I warn them that when that is done, it will be the last of our Republic of free men. When free people delegate to their Government the right to exercise charity for them, they are granting a limitless power to their law makers which will ultimately destroy their Government.

As I have stated, Mr. President, the people of this Nation have the power to amend their Constitution to provide for their Federal Government exercising charity for them. If that is what they want to do, I offer no objection to their exercising that right and privilege. But so long as the Constitution remains as it now is, each citizen has the personal right to exercise his or her own charity individually, or through privately conducted charitable organizations or churches. This is exactly what they have been doing ever since our Government was organized. I have explicit confidence in their continuing to exercise their own charity most generously so long as our Nation exists as a nation of free people, because no greater truth was ever spoken than, "It is more blessed to give than to receive." Furthermore, Mr. President, when Government takes over the administration of charity, it will give the people ample excuse for discontinuing personal charity donations to private charitable organizations and churches, and those great humanitarian organizations will be forced to discontinue operations.

Mr. President, one of the main objectives of communism is to destroy worship of God. If, by the process of shifting responsibility for charity from churches to Government, churches can be robbed of contributions for charity, and as a consequence be stripped of the power to administer aid to poor, hungry, helpless people, will not that help destroy churches and the faith people have in the teachings of our Lord? I think so.

Charity to Europe? Yes, Mr. President, I am in favor of it when granted by individuals or churches and private agencies under private control. I am for this method of aiding Europe to get back on her feet, but when it comes to violating the Constitution of the United States by taxing the American citizen and distributing billions of his dollars in Europe on the theory that we can bribe those nations not to go communistic, I am opposed to the theory, and I have no confidence in the result.

Now, Mr. President, we come to another phase of the general situation in Europe. We are told that there is need for money to be granted to Europe in the form of loans for the rehabilitation of industry.

It is my judgment that the way for loans to be made to Europe for the purpose of rehabilitating industry is for the loans to be made by private individuals in this country who have money to lend, and who will lend it on good, sound business propositions. If the loan will not stand on this basis, then we have no right to call it a grant of credit. We might just as well call it a gift in the first place.

There are many conditions to take into consideration when it comes to building factories and establishing industries. It is not by any means just a matter of raising the capital. It is a matter of selecting the right geographical locations with respect to supply of raw material, and proximity to potential customers. It is a question of acquiring competent and experienced management. It is a proposition of obtaining an adequate supply of contented and willing workers. There are also many other important considerations. This, Mr. President, brings us down to the one and most important question of all, the question of the kind of government under which the industries must operate.

Industries have succeeded in our Nation to such proportions that we are recognized as the greatest industrial nation on earth. Such a growth, Mr. President, is due solely to our system of government, which permits a free private-enterprise economy, with a minimum of Government controls. During the past 16 years there has been a growing tendency to destroy private enterprise by various governmental maneuverings.

Now, let us take a look at the 16 European nations which are supposed to be the beneficiaries of the Marshall plan, supposedly for the purpose of rehabilitating industry. We find they have entirely different forms of government, none of which are like ours. The people of those nations are entitled to adopt any form of government they desire. Surely it is not my purpose to criticize them because of

their choice, but the fact remains that England, once the giant of nations, master of the seven seas, and one of the most prosperous and conservative governments of the whole world, has changed over to a socialistic government. This socialistic government is rapidly taking over England's industries, and is just as rapidly sinking into oblivion, industrially, commercially, financially, and economically.

No system of private industry can possibly succeed under any government that contributes 70 cents per day per person, as England does, to feed its people. It will soon eat itself into bankruptcy. The money we donate to support this unsound and reckless policy is a rank waste, and will bankrupt the United States if continued. Most of the other European nations are in about the same category, many of them worse, possibly some of them not so bad.

Mr. President, the truth is that no system of private industry can succeed under the kind of government England has today. The same comment applies to a greater or lesser degree to every one of the 16 European nations named in the Marshall plan. This argument is supported by the fact that the citizens of those nations having capital to invest have chosen not to invest their capital in industry in their own countries, but to invest it in industries in our country and other nations. They have done this, according to reliable authority, to the extent of eighteen or twenty billions of dollars. Well, this being true, why should foreign fools step in where home folks fear to tread? Nobody contends that we can change the form of government of those 16 European nations. That is unquestionably the exclusive right of the citizens of each nation.

Rehabilitation of Europe's industry? Yes, Mr. President; I favor it when the investments are made by individual citizens of this or any other nation, and from their own funds, without Government financial assistance or Government guarantees against financial loss. Such loans must be made upon the personal judgment of the lender relative to the soundness of the investment and from the standpoint of the character of government under which the industry must operate. But when it comes to giving away to foreign nations our taxpayers' billions, I am opposed to it. Our actions are so silly that even the sensible people in England are laughing at us.

Let me read an article from page 4 of the Sunday Express, printed in London, England, August 3, 1947. Here it is:

A very large section of the population decided that with the election of a socialistic government we had automatically entered the millennium in which work did not matter any more. If you needed money, you had merely to hang out your stocking and Santa Claus would fill it. The Government at the same time decided that if only the United States would lend us sufficient dollars, we could sit back and build the heaven of their dreams without bothering too much about the facts of life. Unfortunately, the United States loaned us the money.

Note that, Mr. President, from this London newspaper:

Unfortunately, the United States loaned us the money. Unfortunately, the money is

now nearly exhausted, and, unfortunately, it hasn't done us a bit of good.

I might add, the last cent of this gift of \$3,750,000,000 has been drained off. The article continues:

On the contrary, by our pledges to make sterling debts convertible into dollars on request and by hog-tying ourselves by the notorious article 9 so that we cannot even move food we need from the larders of the Empire to the homeland's kitchens, we have brought disaster upon us.

So, here, Mr. President, we have a perfect example of our Government being eager to bankrupt our own Nation by shoveling out billions of dollars to a socialistic nation, while their newspapers accuse us of bringing disaster upon their nation by forcing those billions upon them. Of course, nobody expects the British loan to be repaid, and anyone who gave the matter any study knew before the loan was made that it would never be paid. And all the money our Government is pouring down every rat hole in every foreign nation on earth is not only hastening our own day of financial disaster, but it is laying the foundation to make every foreign nation hate us when the day finally comes when we shall be forced by circumstances to stop shoveling out our money to them.

Mr. President, I believe in giving the people the absolute truth about all legislation. We cannot enact laws which leave the people on the outside looking in. Every law the Congress enacts directly affects the people and for this reason alone the people should be given all the facts regarding any legislation. In the case of the program we are now considering, the people have not been given all the truth. They have been fed largely upon pure fiction and half-truths. They have had a picture of sheer fantasy dangled before their eyes by the bureaucratic propaganda experts, when they should have been shown the honest, naked truth.

Huge sums of money have been spent on radio and public print to implant in the minds of our American citizens the specter of starvation hovering over the homes in all European lands, but nothing has been told our people of the sad results which will inevitably come to them if we are to continue the looting of our own treasure house. Nothing has been said by these bureaucratic propagandists about robbing our oil stores, our coal pits, our iron mines through this give-away program so that Uncle Sam may appear in the role of Peter the Giver to the European politicians. The real cost of this program to the American citizen, to his State, and his community, is studiously avoided, for the proponents of the plan know full well that to give the American people the whole truth would be to rob themselves of the glory they hope to reap from putting over this wasteful program.

Mr. President, the Marshall program will probably cost the people of my State of Texas more than a billion dollars before we see the last of it. The present dole is but the entering wedge for things to come. It will not prevent war nor will it stop the greedy aggressions of the Russian bear, but it will play a most im-

portant role in degrading and pauperizing this beautiful land of ours.

Now I come to another phase in the discussion which I feel will help the people to form a clearer picture of where we are headed. What I have to say now is in the form of a refresher course to polish up on things that have happened and which I believe have a direct bearing upon any and all things promulgated by and indulged in by our so-called master strategists. And, by the way, Mr. President, I am one who is sick and tired of being told that I must follow any and all schemes because this Mr. Big or that Mr. Big is for the thing. This sort of propagandizing has become a cheap racket, and a low device to trap unsuspecting or unthinking people.

In the appraisals of foreign affairs which have been given to the American people for the past 8 or 10 years, estimates have been uniformly wrong. I am sure many Senators remember the statement made by the then President of the United States, in an address in Boston on October 30, 1940, when he said:

And while I am talking to you mothers and fathers I give you one more assurance; I have said this before but I shall say it again, and again, and again: Your boys are not going to be sent into any foreign wars. They are going into training to form a force so strong that by its very existence it will keep the threat of war far away from our shores. The purpose of our defense is defense.

I am not uncharitable enough to say that the President of the United States was dishonest with the people, that he was not sincere with the people. I think the facts are that he simply did not know. I think most of us remember that the people of America were told, when we finally got into the war, that we got into it to protect the rights of all the small nations of Europe as well as the large ones. We were told that we were fighting a war for the maintenance of the democratic form of government. Do you think, Mr. President, these statements were insincere statements? Do you think, even though the statements came to us from the executive department of Government, that those who made them were dishonest? Certainly it would be uncharitable to reach such a conclusion; so I believe the answer must be that those who were conducting our foreign affairs simply did not know.

Do you think, Mr. President, when the great principles of the Atlantic Charter were broadcast to the people of this Nation, when the people were told we were fighting a war to liberate the peoples of the nations of Europe from dictatorship, that it was an insincere statement? Or again, do you think it was simply a statement made by those who did not know Europe and did not know the conditions which we would face when the war was over? Do you think that all the glowing reports which we received following conferences with Russia at Tehran, Yalta, and Potsdam were mere fiction, made out of whole cloth, and distributed to the American people to mislead them? Or do you think that the executive department of our Government was sincere in what it told the public, but simply was misinformed? Do you think, Mr. Presi-

dent, that they were dishonest or do you think they were simply mistaken?

I am inclined to accept the more charitable view and say that all these series of errors came about because of the fact that the executive department of Government, including our State Department, simply did not know. But there is one thing the American people do know today; they know that through the process of negotiation and with the acceptance and approval of the executive department, Joe Stalin has been firmly planted in control of most of the Balkan countries, half of Germany, all of Czechoslovakia, and that he has taken over a large part of Poland, and made vassal states of Estonia, Latvia, and Lithuania, with Finland on the way.

In other words, through negotiation with those who are charged with handling the foreign affairs of this Nation we find Joe Stalin has actually been given control of about one-half of Europe.

But the executive departments of this Government, including the State Department, tell us that this plan of vast loans or gifts to Europe is the only remedy. I might have more confidence in the recommendations of the executive departments of Government and in the recommendations of the State Department if it had not been for the fact that their batting average thus far has been so miserably low.

Mr. President, I have discussed the so-called Marshall plan according to the numerous and various claims that have been made for it and according to the way the bill in printed form came to this Senate floor. But there is another side to this story. It is the side which has not been mentioned. Perhaps some may think it unwise to discuss the true conditions which face us, but I prefer to be open and frank and place all the cards on the table face up.

The cold, stark, naked truth is that World War II is still in progress. Our fine American sons, on the fields of battle, beat Germany, Italy, and Japan into complete and unconditional surrender, just as they started out to do; but after they won the war our diplomats lost the peace. Our executive department failed to understand that it takes just as strong military forces to win the peace as it takes to win the war. So they disbanded our military forces, gave much of our military equipment to greedy aggressors, adopted a program to give away our resources by the billions, and attempted to write the peace treaties over cocktail glasses.

They have failed miserably and are now trying to cover up their failures by giving away more billions of dollars. All the billions we have shipped to Europe since the war have gone down the sewer, and everybody must admit that the conditions over there are more dangerous now than they were before we sent a single dollar. Dollar soldiers will not win the peace.

When the two world's greatest tyrant aggressors, Hitler and Stalin, met to carve up and divide Poland, they proved themselves to be partners in crime. That pair played true to gang rules—either fight together or separately, or fight each

other, but conquer. Hitler was eliminated, but Stalin kept marching on. He never stopped one moment. We may call it nazism, fascism, or communism, or any other ism, but its real name is atheism.

This world is now embroiled in the most terrible religious war the world has ever witnessed. It is a global conflict. Stalin is carrying the Communist flag at the head of the evil forces. The objective is world revolution, a communistic dictatorship, and enslavement of the masses in every nation of the world. This is Stalin's program. It has always been the Communist program. Communism is founded upon this sadistic philosophy.

Mr. President, with the whole world in turmoil and confusion, I cannot give my approval to a colossal give-away plan of billions of our resources when it is plain to see that the billions already given have been completely wasted. I think this give-away policy is the wrong approach to the solution of our own and world problems. Whenever it is decided by the people of this Nation, through their authorized representatives, that our Nation is in danger from without, I am willing to go all-out with all the resources at our command to defend and preserve our Nation. But if we continue to follow the path of trying to bribe or pacify the enemies of freedom and liberty with dollars, it will only weaken our economy and can very easily weaken it to the point where we may be unable to successfully wage war with the only weapons that world bandits and global aggressors can understand and respect.

Mr. President, no one has condemned Communism more than I have, and few started condemning it earlier than I did. I want to clean it out here at home, where it has become entrenched in our Government, in leadership of our labor unions, in our schools, and, sad to say, in our churches. Also I want to do everything we can to stamp it out elsewhere.

I recognize our responsibility in world affairs and am willing for our Government to assume full responsibility and world leadership for a just peace, but I am not in favor of the Marshall plan as it is now before us, because I do not believe it will accomplish this highly desired end. In fact, I believe it will do much harm. It is totally impracticable. We need to adopt an entirely different plan.

We need to keep our own record clean by eradicating all Communists and communistic or socialistic sympathizers from Government service.

We need to readopt the Constitution of the United States of America. We need to free our private enterprise system of all governmental strangulation and governmental competition.

We need to reduce Government expense and take the heavy load off of our overburdened taxpayers. We must reestablish a sound government and a realistic system of free private enterprise to support a sound government.

If we do this our economy will become strong enough to support an army and navy and air force so strong and powerful that no nation or combination of nations will ever dare attack us.

Mr. President, I am opposed to the Marshall give-away plan. I am in favor of adding to the Marshall plan billions in appropriations for a strong military defense.

I am in favor of billions for defense to protect and safeguard our nation, our people, our homes, our liberty, our freedom, and everything we hold dear—yes, billions to assure peace to all freedom-loving peoples in all nations of the world.

Mr. President, I am in favor of billions for defense for the perpetuation of our American way of life for ourselves here at home as provided under our constitutional system of Government, but not one cent to sustain or bolster tottering socialistic and communistic governments, which have never given freedom, prosperity, or happiness to the people of their countries at anytime. Let us be fair, let us be honest, let us be practical, Mr. President; and above all, let us be truthful with the American people.

Mr. CHAVEZ obtained the floor.

Mr. McFARLAND. Mr. President, will the Senator yield for the purpose of suggesting the absence of a quorum?

Mr. CHAVEZ. I yield.

Mr. McFARLAND. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hatch	O'Daniel
Ball	Hawkes	O'Mahoney
Barkley	Hayden	Overton
Brewster	Hickenlooper	Pepper
Bricker	Hill	Reed
Bridges	Hoey	Revercomb
Brooks	Holland	Robertson, Va.
Buck	Ives	Robertson, Wyo.
Butler	Jenner	Russell
Byrd	Johnson, Colo.	Saltonstall
Cain	Johnston, S. C.	Smith
Capehart	Kem	Sparkman
Capper	Kilgore	Stennis
Chavez	Knowland	Stewart
Connally	Langer	Taft
Cooper	Lodge	Taylor
Cordon	Lucas	Thomas, Okla.
Downey	McCarran	Thomas, Utah
Dworshak	McClellan	Thye
Eastland	McFarland	Tobey
Eaton	McGrath	Vandenberg
Ellender	McKellar	Watkins
Ferguson	Martin	Wherry
Flanders	Maybank	Wiley
Fulbright	Millikin	Williams
George	Moore	Wilson
Green	-Murray	
Gurney	O'Connor	

The PRESIDING OFFICER. Eighty-two Senators having responded to their names, a quorum is present.

Mr. CHAVEZ. Mr. President, I never rise in the Senate for the purpose of hearing my voice, to entertain the galleries, or to make a little noise. I have made it a point to rise when I thought I could contribute something to my fellow Senators, at least to the extent that they would think about what I suggested, not with the idea even of convincing them or with the idea of having them admit that everything I said was correct, but merely in my humble way to place an idea within their minds and to see whether or not by thinking about the idea we might be able better to understand all the ramifications of the legislation that might be pending.

While we are discussing the European recovery program, or ECA, as it is some-

times called, I deem it proper to discuss a problem in this hemisphere that, in my opinion, is a part and parcel of the success of the European recovery program.

The recovery program, as I understand it, is to be accomplished by furnishing material and financial assistance to the participating countries and other countries, including any of the zones of the occupied territory of Germany, any areas under international administration or control and the free territory of Trieste. I take it that is what let us in certain countries that are not designated by name.

We all know that the term "furnishing materials" includes many things. It may include food commodities, machinery, factories, machine tools, heavy equipment, gasoline, and fuel oil.

Much has been said here of late about our shortage of oil, and there is no question that we are short of oil. Other countries of this continent could aid materially not only in helping us furnish supplies, including oil, to carry out the European recovery program, but could also aid materially in breaking the fuel shortage—all in keeping with the philosophy of the European recovery program and also with our boasted good-neighbor policy, if we mean it. I for one believe we mean it, notwithstanding the handicaps which are interposed by private individuals and private industry in carrying out the good-neighbor policy.

Mr. President, on February 28, 1947, President Truman visited Mexico City and there delivered an address to the Mexican people. In that speech the President reiterated how the good-neighbor policy applies to international relations the same standards of conduct that prevail among self-respecting individuals within a democratic community, and he concluded his remarks by saying, "Our two countries will not fail each other." Latin Americans as a whole believed those words of President Truman. How does this affect oil? I shall undertake to show how.

I have stated that there is a shortage of oil, and there is. Much has been said about the production of oil in Saudi Arabia, and it is known that most of our equipment for the production of oil is now going to Saudi Arabia, thousands of miles away.

I hope that Senators who have been patient and courteous enough to remain here while I address the Senate will listen closely to the remarks that I am about to make.

In the case of an emergency and a war can we depend on the production of oil in Saudi Arabia or does it behoove us, notwithstanding our efforts to get oil there, to do something to produce oil which can be obtained at our back door? The oil potentials of Mexico are large and with the permission of the Senate, I am going to talk about them, because they are directly across an artificial line from our own country, and not within striking distance of the people whose aggressions the Senate is trying to prevent—the Russians.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. CHAVEZ. I yield.

Mr. WHERRY. I was unfortunately called from the floor a moment ago. I understand the Senator is now addressing himself to the subject of Saudi Arabia, and I understand the Senator's position to be that there are proved oil fields within the United States and within the Western Hemisphere. I know it is difficult to follow the work of all the committees, but if the Senator has followed the work of the Small Business Committee closely, I am sure he recalls the statement made that we are at present behind in this country to the extent of 67,000 oil wells, either wildcat wells or wells in proved territory. I missed a portion of the Senator's remarks, which I deeply regret. Is it the Senator's feeling that, as a matter of national security and of keeping our petroleum production efficient and up to standard, having the equipment to do so, it is essential we continue to produce, and to bring in new wells in the United States and in the Western Hemisphere for that very purpose?

Mr. CHAVEZ. And to bring in other wells 6 feet away from the border of the United States. The Senator understands me correctly, and if he will only be patient enough to follow what I shall have to say, I am sure I can convince him and anyone else who is willing to be convinced that we are neglecting something that is of importance even in the matter of national defense.

Mr. WHERRY. I shall listen with interest to the Senator's remarks. I deeply appreciate the interest of the Senator, who has always taken more than casual interest in every subject matter of which he speaks. I realize, too, that the Senator is an authority on the production of oil.

Mr. CHAVEZ. The subject may be approached from various standpoints. It may be approached from the standpoint of national defense, which is our business. It may be approached from the standpoint of giving effect to the good-neighbor policy. It may also be approached from the standpoint of giving effect to the program we are now discussing.

Mr. WHERRY. Does the Senator know that the Department of Commerce has issued an export license for 33,000 tons of steel, to be exported to Saudi Arabia as its quota?

Mr. CHAVEZ. I have the figures on my desk.

Mr. President, the world-wide shortage of crude petroleum—probably the most essential natural resource for all present day industrial activity—is universally recognized as an alarming and lamentable fact. It is not too much to say that, in our own time, the dearth of oil may retard in most costly manner the continued growth of commerce and, indeed, profoundly affect, adversely, the development of modern civilization. From a nationalistic standpoint having in mind the matter of our national defense, a severe lack of oil, in the opinion of military experts, could easily be catastrophic in its effects upon our national safety. For no wheel of industry or of war can turn upon its axle without oil. That is axiomatic. We all know that to be so.

The shortage of crude petroleum is not revealed in figures of a declining production of that vital product. Crude oil production of the United States and of the world is currently breaking all records. Even so, however, the huge production volumes are unable to keep pace with the ever-increasing demands of the modern age. Although the United States is today producing approximately twice as much oil as it was producing a decade ago, nevertheless, our supply and demand relationship is so alarmingly serious as to lead our experts to the belief that shortage of supply is of such nature as to jeopardize the national security and to threaten our means of national defense.

The Secretary of Defense recently has informed the Congress and the Nation that if war, unfortunately, should be thrust upon us, our immediate requirements for oil, in order to enable us to conduct modern warfare in our defense, would be 2,000,000 more barrels daily than our present capacity to produce. Realizing the vital danger of such a circumstance, both the Secretary of Defense and the Secretary of the Interior have gone on record as favoring the immediate building of a synthetic-oil industry to cost, possibly, the stupendous amount of approximately \$9,000,000,000, not to mention the length of time necessary for the building of such a huge new industry. These official expressions of opinion and the solemn recommendations directed toward such tremendous effort in the attempt to provide an adequate supply of this most vital product indicate the threatening grave consequences that may befall us if the problem of scarcity cannot be solved. The situation, therefore, demands exhaustive and careful search for every possible source that may satisfy the need for more oil. New oil reserves, more abundant oil fields, are the need of the hour.

The search for oil has stimulated our interest and directed a considerable part of our effort toward developing areas located even in remote parts of the world and many thousands of miles from our own shores. These operations involve investments totaling hundreds of millions of dollars, and hazards not only incident to the nature of such business, but also involving possible international complications that call attention forcefully to the difficulties, the risks, even the wisdom of such ventures. Yet the vital need of the world for this essential product and the great relative scarcity of it impel the relentless search and the almost frantic development of large deposits wherever they are known to exist. Indeed, the acquisition and control of such deposits are jealously guarded as prized possessions of prime importance to the needs of nations.

I am cognizant of the recommendations of our Defense Secretary for the sending of large quantities of steel to far-off Saudi Arabia for use in developing the prodigious deposits of oil known to exist in that fortunate or unfortunate land. I am in favor of the development of oil reserves wherever found in the world, for I realize the need of the world economy for more and more oil. I am of the opinion, however, that, in our zeal to accomplish more in the way

of adding to the world's production of oil, we have overlooked a great opportunity, an opportunity close at home and available in the land of a friendly, next-door neighbor. I speak of Mexico.

In the opinion of oil experts, Mexico is a land, blessed like regions in our own country offsetting her immediately to the north, with huge oil deposits ranking with the greatest of the earth. Mexico already has produced billions of barrels of crude petroleum from only a small portion of the areas held to be prospective producing fields probably capable of yielding many more billion barrels of this much needed product. The area has not yet been scratched. I am referring to the area of Mexico next door to the United States, not an area 10,000 miles away. The Mexican Government has undertaken an extensive program designed both to develop fully present producing oil fields and, as well, to explore, discover and develop still additional new fields. There are millions of barrels of oil across from Laredo and Del Rio, Tex., within a hundred miles of the oil fields in the State of New Mexico. It is a tremendous potential, lying next door to us, with refineries located in the State of Texas.

This effort on the part of our neighbor republic is a most worthy one and should redound greatly to the benefit of her own national economy as well as, indeed, to contribute substantially to world needs—incidentally, no doubt, allowing our own country a fair and proportionate participation. The discovery and development of huge oil reserves on our own North American Continent will be recognized, even by a lay person, as a matter of the greatest and most important moment, so far as continental defense is concerned, and surely must be regarded as a project highly to be desired. Every possible aid to further such a program should be readily forthcoming with at least equal effectiveness to the encouragement given development programs many thousands of miles away. To fail to give such notice would be to neglect the development of an economy close at home, thus to place us at disadvantage in the possible utilization of oil production within easy accessibility in time of peace and relatively easy to defend in time of war. To neglect the development of such a petroleum economy should justify our severe condemnation.

It is gratifying to learn that our Secretary of State recently informed the press that, in view of certain world conditions, our Government now is looking to Latin America for additional supplies of oil. In addition to the fact that our State Department now apparently is favorably inclined toward the discovery and development of oil reserves to the south, I am advised that American oil refiners, greatly in need of additional crude oil to enable them to continue refining operations, look with hope to any steps which may increase production in the territories of our southern neighbors. It seems to me, therefore, that the purpose of Mexico to proceed substantially in the direction of the attempted discovery and development of huge oil deposits known to exist in that country justifies our giving consideration to every possible aid

in cooperation with Mexico in that regard. Such a policy on our part must be a constructive one, definitely within the so-called national interest of our country. Any lay person will quickly perceive the vital importance to the United States, both in times of peace and of war, of the presence, immediately across our southern friendly border, of large oil-producing regions.

It is a matter of current knowledge that operations to be conducted in Mexico in the effort to carry out the development program already started there will require considerable amounts of steel products, and it is true, of course, that the entire enterprise is vitally dependent upon such deliveries. The enterprise, in fact, cannot go forward in face of a complete absence of the required steel, and it is an unfortunate fact that steel is being denied for this great project. This situation brings me to a discussion of our national policy with respect to the allocation of steel from American mills for shipments abroad and raises immediately the relative value of the different oil development enterprises abroad that are demanding shipments of steel from American mills.

The fact is that the business of developing oil resources in our neighbor country, Mexico, is now obstructed because of pressure for development elsewhere, and since this "elsewhere" happens to be some 8,000 to 10,000 miles away from our own American shores, the question of policy as to the advisability of neglecting the development of a near-at-hand economy in favor of one in a remote part of the world comes directly to the fore. In that connection, I wish to go on record as stating that mine is a "North America First" policy. I do not agree that no consideration is more important to this country than oil in the Middle East.

The oil of Mexico, the oil of Colombia, the oil of Venezuela, are more important to us than the oil of Saudi Arabia. Mr. Sumner Welles about 10 days ago said, "Suppose we had it and something happened. Would we have it the next day?" But we could have this Mexican oil the next day. I insist that oil in Mexico, a friendly next-door neighbor, as the President said, is worth more to this country, from the simple standpoint of easy and safe accessibility, both in peace and in war, than that found on the back door step of Russia, on the other side of the world. Would Russia attack the wells of Mexico or of the United States, or would she attack those in Saudi Arabia? A child could answer the question.

Why should a huge oil combine be favored in the development and exploitation of an oil reserve far away, certain to require tremendous cost in dollars and possibly a great future cost in the lives of young Americans to defend it, while nothing whatsoever is allowed to function, by way of providing even a small amount of needed supplies to further a legitimate enterprise directed exclusively to the development of our own North American economy? If Congress is to be led or misled, stampeded or cajoled by the executive officers of the Government into aiding every expensive venture far from

our homes, and related to the development and exploitation—for the sole benefit of a great oil combine—of the natural resources of foreign peoples whose welfare is unrelated to influences vitally affecting either our own national economy or our national defense, why should not the Congress the more wisely be expected to address itself to the business of aiding in the development of our own section of the world to the greater advantage of all of us who live here?

Looking unflinchingly at the face of stark reality, the situation today is one in which major oil concerns are demanding for themselves practically all the casing that is coming from the entire steel-mill capacity of America. In other words, the major oil companies have cornered the steel market for oil-well supplies. There is law against the cornering of the stock market. There is a law against the cornering of the wheat market. There is a law against the cornering of the cotton and other markets. Laws today are in effect to protect the public interest against the sheer weight of money when used to corner, for a few predatory folk, the basic necessities requisite for the maintenance of the general welfare. The general welfare is what we should be interested in.

In the present instance there may be no law or no arm of our Government which can function toward the solution of this steel problem. I hope the Senator from Nebraska will have a solution.

I should like to invite attention again to the fact that of all the basic forms of wealth, oil is the natural resource most essential to all forms of industrial activity. The protection and the guaranty of a sound and continuing development of the North American petroleum economy, therefore, fall within the musts for consideration of a government that is dedicated to the principle, among others, of promoting the general welfare and providing for a common defense. Providing for the common defense, so far as we are concerned, should start right here.

It is an unhealthy condition for any industry when a few dominating agencies of the industry control its basic element of supply. It will be a sorry day for the world at large when the American oil monopoly must be recognized as controlling, exclusively, the world's most-treasured and most-needed natural resource. If capitalism ever contributed to the cause of a world war, as many of our people believe, we most certainly then must see its performance to that end.

Under present circumstances it appears impossible for Mexico to obtain supplies necessary to put her oil-development program into full operation. In the face of this condition of fact, our Defense Secretary has appeared before Congress with a "first consideration" proposition calling for the shipment to Arabia of some one-half million additional tons of steel for use of oil companies there, instead of what was mentioned, a half million additional tons of steel. It is difficult to understand how anyone can plead for action that would make it easy for an oil corporation to

take unto itself, for foreign fields afar, 500,000 tons of steel without which North American enterprises could not exist.

I wish to state that in my references here to Arabia I am not particularly opposed, personally, to the Arabian project, per se. As a matter of fact, I am not at all concerned if the entire world desires to dump prodigious amounts of steel upon the Arabian Peninsula, providing, of course, it has it to dump, and also providing that in the dumping process complete neglect of the development of the North American economy does not result. As this condition of affairs is exactly what is happening, however, I feel impelled to make references to some of the obvious features in the program which affect the welfare of the people of our own continent.

Mr. WHERRY. Mr. President, would the Senator yield at that point, or would he prefer to continue?

Mr. CHAVEZ. I yield.

Mr. WHERRY. A statement was made a moment ago relative to steel allocated to the Saudi Arabia field being in the amount of 500,000 tons, as the Senator has stated. The figure I used, as I remember, which appeared in the testimony adduced by the Small Business Committee, was in the neighborhood of from 440,000 to 460,000 tons for the complete construction of the trans-Arabian pipe line and the producing facilities around the eastern part of the peninsula from which the oil comes.

If I remember correctly, however—and the Senator can correct me if I am wrong—360,000 tons of that steel was to go into the pipe line itself. The remainder was to go into the producing field.

Mr. CHAVEZ. Drilling equipment, and so forth.

Mr. WHERRY. That is correct. When the Small Business Committee discovered what was going on, it took the matter up in executive session with the agencies involved, because the members of the committee felt that the position taken by the agencies was that it did not make any difference in what part of the world petroleum fields were developed; that if petroleum fields were developed anywhere the result would be to help solve the world-petroleum problem. Of course, that argument has considerable merit. On the other hand, at that time much evidence was submitted by those in high military position, by those interested in the national security and in the general welfare—to which the able Senator from New Mexico has referred—who testified that while it was true that the development of the Saudi-Arabian oil fields would mean that oil could be shipped quickly and at less cost to European nations needing oil, yet if steel were allocated in a considerable amount for the development of oil fields in the Western Hemisphere it would mean that oil in sufficient quantity could be had by us not only in time of peace, but in time of war, which would be a very potent weapon in our hands, if needed.

The question then came down to the point: What is the emergency for building a pipe line in Saudi Arabia? The

answer was that transportation was involved; that oil could be furnished more quickly and more cheaply from such fields to Europe. It finally developed from the evidence adduced that it was merely a question of a lower rate of transportation. But it was pointed out that an emergency existed here in our country, because there was a shortage of oil, so there was need for developing fields in our country and close to our country, in Mexico.

Oil fields can be developed in Mexico economically, if only sufficient steel can be secured for the purpose. The development of the Saudi-Arabian pipe line would furnish a cheaper means of transportation than shipment of oil through the Suez Canal, but inasmuch as the oil contemplated to be obtained from such development would not be available until 1952, the contention was that we should proceed to the development of fields in the Western Hemisphere; that wildcatting should be encouraged, and that wells should be drilled in the proven fields in order to increase production in the Western Hemisphere. It was shown that such production would be necessary to promote the general welfare and provide for the common defense of our own country.

As I previously stated, the argument was advanced by some that it made no difference where oil fields were located; that as each new field was developed it would tend to help in solving the problem of the world-wide shortage of oil. But, as I further stated, evidence was also adduced which confirms the position taken by the able Senator from New Mexico, that if possible, the oil should be produced in proven fields in our own country and in fields in Mexico, and in Latin America. Such production, as I have stated, would serve to promote the general welfare and provide for the common defense of the United States, and would also serve as a means of promoting a good-will policy toward our neighbors in the Western Hemisphere.

Mr. CHAVEZ. Mr. President, my suggestion is simple. I have no objection whatsoever to the development of Saudi-Arabian oil fields, but I do object to the oil companies securing all the steel which is now produced in the United States, and transporting it to Saudi Arabia for the development of fields over there, which will not be of value to us in promoting our national defense or our national economy.

By nature's law and by nature's God, the development of the North American economy is a natural duty imposed upon the people of Canada, the people of the United States, and the people of Mexico. Their economy is a homogeneous economy, and the destinies of all the people who are compelled to live upon it depend, in the ultimate, directly upon the manner of their behavior in developing, exploiting, and utilizing it. In this great duty and in this great destiny, Canada, the United States, and Mexico find themselves bound together as natural partners. As such, each possesses a part and parcel of the whole and is morally bound, for the general welfare of the entire continent, not only to shoulder the burden of its own responsibility

toward developing the continent's natural resources, but also to aid another partner, if necessary, to get under way with the same kind of work. Our Chief Executive recently very solemnly has pledged, both to the peoples of Mexico and to those of Canada, the full cooperation of the United States in this very regard.

Mr. President, I hope that what will be done under the pending legislation will be of ultimate good to the world at large. I would not object to an appropriation of three times the amount called for in the bill, and to having the money sent to Europe, if the people of Europe would in turn set to work, and, by using what we give to them, do everything within their power to place their own economy on its feet.

Three or four days ago representatives from the State Department appeared before a committee of Congress. From what was said in that committee it appears that it is proposed to dangle \$600,000,000 before the countries of Latin America. Is it better to give away to them \$600,000,000, or is it better to sell them something of practical value in developing their own industries, their own natural resources, so we can receive something in return? What is the common sense of the matter? The difficulty is that we are all the time dangling dollars. We should use a little common sense in approaching the problem of what to do which would be of ultimate benefit to the United States, to Latin America, to Mexico, and to the world at large. We should indulge in some common-sense horse trading. Let us give to Latin American countries some of the steel which is going to Saudi-Arabia and let them use it in an attempt to work out their own salvation. From whom would they buy the things they need, if they were secure economically? They would buy from the United States. The United States should help them develop their oil fields and other natural resources. If oil fields are developed close to home it will mean much to us in the way of providing a means for our own defense.

Mr. President, having in mind our natural duty toward our good and friendly neighbors in this great and divinely constituted partnership and, as well, the pledge of our country's Chief in that self-same direction, who among us can be justified now in coming forward to advocate the sapping of our economic strength, the stultifying of our growth, by removing our treasure beyond the reach of all of us, by denying the steel necessary to protect our competitive system in the developing of our North American petroleum reserves—who can do this for the sake of aiding in the development of an economy, strange and unnatural to us, far away from us in a remote part of the world, and subject to the will of foreign peoples who very possibly could become future potential enemies of ours or at least easy prey for future potential enemies of our country?

More and more of the American people are becoming sick at heart because of our foolish governmental tendency to give away so substantially of our substance when the gift has to do with pure-

ly non-American issues and whilst such policy denies the goods which, under wiser direction, could be used to develop the economy of North America—our home and our next-door neighbors' homes. To be concrete can anyone tell me any sound reason why Mexico should be completely unable to find assistance in her struggle to buy steel from steel mills in America when the Secretary of Defense can so willingly come before us and advocate the shipment thousands of miles away of hundreds of thousands of tons of steel?

Mr. President, I maintain that I am just as patriotic as is the Secretary of Defense.

The defense of America argument surely carries no weight in these considerations for is there a military man worthy of a decoration who will stress the easy defense by us of the Arabian oil fields and their long extended pipe-line system while, at the same time overlooking what is obvious even to the lay person, namely the relatively easy defense of Mexican oil fields, situated as they are on the very porch of the United States of America and constituting a definite portion of the North American economy of which we are such an integral part? In the defense of America our military must defend and can defend our own continent. In any war against a great power dominant in the Middle East, our military would encounter far different and more difficult problems in defending the Arabian oil holding of a few big oil concerns whose policies now selfishly deny even the development of the great and yet undiscovered oil reserves of our sister republic just south of our own border. Logic of our entire present policy in this regard suggests a complete revaluing and, indeed revamping of it. Let us not foolishly follow imperialistic policy to a point of development of large foreign oil fields to dangle before a future enemy as a bite to be taken in one huge gulp on the first unfortunate day of attack. Let us build within the fences around our own shores an economy prosperous and strong enough always to defend ourselves and to make America secure in the world—not a nation to be sapped of her strength by giving away the very substance of nature's gifts with which she has been so bounteously blessed and which now are so essentially needed at home in the development of her own economy. How can this nation of ours, in the face of expressions on the part of our President, whose avowed purpose is to aid our neighbor, Mexico, deny now the development of the Mexican petroleum economy whilst feeding to far off Arabia steel that is essentially required to make good the promise to Mexico?

Answer to this question can be found only in a keen perception of the nature of the influences apparently working among the personnel and the various departments of the executive branch of our government. I charge that too many of our executive officials give too sympathetic ear to the blandishments, the arguments, the subtle propaganda, the one-sided presentations of paid representatives of big oil corporations. I

charge that these representatives are well known and well received by our State Department and that a relationship and an acquaintance exists there that makes for bad sledding for the competitors of such big oil corporations in that certain of our public officials do things for these big combines whilst damning enterprises in which they have no participation. But first I must state that in 1938 the Mexican government expropriated, with most excellent reasons in my opinion, the oil properties in Mexico which large American oil corporations for many years had exploited.

Let me give an instance of how they operate. I am willing to make this statement in Wall Street or anywhere else where I would not be protected by congressional immunity. I wish to tell what an oil man said to me. He had been the manager of a corporation in Mexico for 28 years. I arrived in Mexico City 5 or 6 days after expropriation. When I went into the lobby of the hotel, I met him. I knew him well. He said, "DENNIS, let us have a Scotch and soda." So we went to have a Scotch and soda. While there he said, "Things are bad." I knew what he was talking about, namely, expropriation. I said, "What is bad?" He said, "This fellow is crazy." I said, "What fellow?" He was talking about the President of Mexico. After he talked to me, the President of Mexico went up in my estimation.

I said, "Why is he crazy?" He bluntly replied, "He will not take a dime. We used to be able to handle such officials with money and in other ways, but this fellow is crazy. He will not take a dime."

He was talking about the President of Mexico. So the President of Mexico began to go up in my estimation.

The large oil companies used to operate by murder, arson, and robbery. I know American businessmen who would like to go down there and do an honest business, and make money for themselves without robbing the people of Mexico. They would like to produce oil for the United States, and bring a little money into Mexico so that the Mexicans could buy from the United States. But Big Business wants to get in there under its own terms. That is why the small operators are not getting steel.

These expropriated companies today are keenly desirous of returning to Mexico—on their own terms and in the old way—to develop and to exploit forevermore the greatest know wealth of the Mexican Nation. These companies are jealous of any independent enterprise that gives promise of developing, on any fair basis other than one which they, themselves control, the great petroleum reserves of Mexico.

There consequently now exists an effective conspiracy against operations for the development of the oil reserves of Mexico badly needed as this development is. The participants in this conspiracy are certain of the big oil companies and of the big steel companies working in perfect concert to deny the steel requisite for this program.

It is a fact that the steel companies of America, through their subsidiary sup-

ply companies or their supply house representatives, follow a definite policy of cultivating their so-called Big Business oil company customers and that the steel companies, through their supply or sales organizations, look to the protection of such Big Business customers by seeing to it that such customers receive a preference when the matter of deliveries of steel supplies is involved. I further charge that supply houses, in deference to their steel company masters, refuse specifically to sell steel casing that is known to be desired for the purpose of use in Mexico, and that the steel companies act in concert with the big oil corporations to this end. Conversely to this line, however, it is known that at least one large oil company, at a time of severe shortage of steel casing, has been supplied freely by the steel companies with such immense quantities of that particular much-needed product that the company finds itself today possessed of more of such supplies at its properties in the Middle East than it can use for the next 2 years.

I realize the difficulty in coping against such powerful and sinister forces as are found in the world's huge monopolies today. But in the tie-up of the great oil and steel organizations, clothed in hypocrisy and strangely nurtured by influential channels of our own Government, will be found the modus operandi that not only gives driving power to the very grave and dangerous threat that exists today not only for individual initiative and free enterprise in America but also constitutes sabotage of our good-neighbor policy and of our efforts toward continental and hemispherical defense.

That is what ruined the Rio Conference. That is what ruined the Habana Conference. That is what ruins the work of the Senator from New Mexico and the Senator from Texas in Mexico City. That is what ruins the good-neighbor policy. The monopolists wish to control things for their own selfish purposes.

Within the past few days the State Department has advised Congress that a hemispheric recovery program is contemplated, suggesting to Congress that it appropriate \$600,000,000 for that purpose. I presume it will be more or less of the nature of the program we are now considering.

In my opinion, it might be necessary to appropriate that amount; but if we can do a little trading with those countries in the ordinary American way without trying to influence them, I believe that they can solve their own problems.

Two or three days ago I heard the suggestion that one of the reasons we had to rush this program through and appropriate the money it calls for was the election in Italy. It is a violation of at least the spirit of the Hatch Act for us to appropriate money merely because there is an election in Italy. We might as well stop such use of the mighty dollar. The mighty dollar should be used as a medium of exchange. Let them earn the mighty dollar and help develop their country in that way. That will do more good than dangling before the eyes of our neighbors \$600,000,000 for hemi-

spheric recovery. Dollars are all well and good, but we shall not have recovery in the Western Hemisphere by supplying dollars alone. Talking of supplying \$600,000,000 might have some effect on the representatives of foreign governments in their meeting at the end of this month at Bogota, but it will not bring about economic recovery anywhere. Mr. President, recovery must come at least in part from the efforts of those who wish to achieve recovery. For instance, it will come by having them plant beans or grow cotton or raise other crops rather than by simply having \$600,000,000 dangled before them.

The State Department can do more for its program by insisting that American industry, especially the steel industry, furnish Mexico with oil machinery to develop its potentials. That can and should be done. Then it could be proved to Latin America that we are good neighbors. Then we could also relieve the oil shortage.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Swanson, one of its reading clerks, announced that the House had passed the bill (S. 1174) to provide for inactive duty training pay for the Organized Reserve Corps, to provide uniform standards for inactive duty training pay for all Reserve components of the armed forces, and for other purposes, with an amendment, in which it requested the concurrence of the Senate.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. GEORGE. Mr. President, I offer the amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 22, after line 20, it is proposed to insert the following new subsection:

(d) In providing for the performance of any of the functions described in subsection (a) of section 11, the Administrator shall, to the maximum extent consistent with the accomplishment of the purposes of this act, utilize private channels of trade.

Mr. GEORGE. Mr. President, this amendment was previously offered in printed form, but I have modified it to some extent.

As the amendment now stands, it simply provides that the Administrator in procuring, processing, transporting, or repairing any of the commodities which he may acquire under this act, shall utilize so far as possible private channels of trade. This amendment has the approval of the State Department, and I think it has the approval of the chairman of the committee. In fact, it is im-

implicit in the bill itself, but it is not spelled out in the bill.

Mr. VANDENBERG. Mr. President, I entirely agree with the able Senator from Georgia. The consideration of the bill in the committee itself constantly emphasized the basic principle which is here stated. So far as the chairman of the committee is concerned, he considers it highly appropriate that the directive should be asserted as indicated in the pending proposal.

Mr. WHERRY. Mr. President, will the distinguished Senator from Georgia state for me his interpretation of subsection (c), the one preceding his amendment?

Mr. GEORGE. That is an amendment offered by the distinguished Senator from Kentucky [Mr. BARKLEY].

Mr. WHERRY. Yes.

Mr. GEORGE. I should prefer to have him interpret it. The amendment I am offering has nothing to do with that one.

Mr. WHERRY. Very well.

Mr. GEORGE. All this proposed new subsection is intended to do, Mr. President, is to have the Administrator utilize private channels of trade for procuring and preparing the commodities which he is to acquire. The whole purpose of the amendment is to have those commodities and the services on them secured on a competitive basis, and also to forestall the possibility of the creation of a wholly unnecessary bureaucracy for procurement purposes.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Georgia [Mr. GEORGE].

The amendment was agreed to.

Mr. VANDENBERG. Mr. President, in connection with the amendment just adopted, I wish to make a brief statement, similar to the one I made in respect to the interim-aid bill, regarding freight forwarders and other elements in the normal channels of transportation.

In this bill authority is given for the transportation of supplies to the recipient nations. As is stated in the committee report, however, it is intended that the normal channels of transportation are to be used to the maximum extent practicable to handle these cargoes—which is precisely what the amendment of the Senator from Georgia indicates in a broader sense.

Not only does this envisage the use of privately owned ships, but it is also our intention that private freight-forwarding channels, where normally utilized for handling cargo, shall be used to service any similar cargoes shipped under this bill. In rare cases, of course, such use of commercial forwarders might interfere with the efficient and economical handling of cargoes, and consequently would be undesirable. However, it is our position that ERP cargoes should in almost all cases be handled in accordance with the purposes of section 217 of the Merchant Marine Act of 1936, usually referred to as the Bland Freight Forwarding Act. It is not intended that Government agencies supplant or take over the functions normally performed by private-enterprise freight forwarders.

Mr. President, I wish to make this additional comment regarding what has

just been placed in the bill: I hope it will satisfy the junior Senator from Kansas in respect to the first part of the amendment he has offered in regard to the handling of wheat and flour, an amendment which is still on the clerk's desk awaiting subsequent consideration.

Mr. President, the junior Senator from Kentucky has two amendments to submit. One of them is completely without controversy. I suggest that he send that amendment forward first.

Mr. COOPER. Mr. President, I send to the desk an amendment and ask that it be read.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 32, between lines 20 and 21, it is proposed to insert the following new section:

WESTERN HEMISPHERE COUNTRIES

SEC. 16. The President shall take appropriate steps to encourage all countries in the Western Hemisphere to make available to participating countries such assistance as they may be able to furnish.

Mr. VANDENBERG. Mr. President, if I may interrupt the Senator from Kentucky, the purpose to which he directs his amendment is certainly implicit in the entire plan. The success of the objective which he underscores is highly essential to the success of the entire enterprise. So far as I am concerned, I should be very happy to have the amendment incorporated into the bill.

Mr. COOPER. I thank the distinguished Senator and say to him that his work on the European recovery plan holds my great admiration and respect. I have submitted the amendment to emphasize that if the European recovery program is to succeed, it will need not only the assistance which can be furnished by this country but also the assistance which can be furnished by other countries in the Western Hemisphere. It is expected that the requirements of the 16 participating countries in the way of imports and credits will be satisfied by other countries in North and South America as well as by the United States. On page 24 of the report, which has been filed by the committee, it is shown that there shall be required imports to the total value of \$12,959,100,000 from the Western Hemisphere.

It is estimated that credits in the sum of \$700,000,000 are expected to be furnished by other countries of the Western Hemisphere. If the credits and commodities are not furnished by our neighbors, either the minimum requirements of the program will not be made available and the program will, to the extent of the failure, be endangered, or we will be asked to make up the deficit, curbing inflationary pressures. The amendment will require that the President take all appropriate methods to secure from the other countries of the Western Hemisphere their necessary assistance and cooperation. There is nothing on the record to show that such steps have thus far been taken.

The PRESIDING OFFICER. The question is on agreeing to the amendment submitted by the Senator from Kentucky [Mr. COOPER].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. VANDENBERG. Mr. President, the Senator from Kentucky has a further amendment, as I understand, which I wish he would submit, to lie upon the table, and to be printed.

Mr. COOPER. Mr. President, I send to the desk an amendment, which I ask be printed and lie upon the table.

The PRESIDING OFFICER. Without objection, it is so ordered. The bill is open to further amendment.

RECESS

Mr. WHERRY. Mr. President, the Senate apparently having concluded its work for the day, I now move that a recess be taken until tomorrow at noon.

The motion was agreed to; and (at 4 o'clock and 45 minutes p. m.) the Senate took a recess until tomorrow, Thursday, March 11, 1948, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate March 10 (legislative day of February 2), 1948:

DIPLOMATIC AND FOREIGN SERVICE

Evet D. Hester, of Indiana, for appointment as a Foreign Service officer of class 2 and a secretary in the diplomatic service of the United States of America.

The following-named persons for appointment as Foreign Service officers of class 3, consuls, and secretaries in the diplomatic service of the United States of America:

Olcott H. Deming, of Connecticut.

William L. Kilcoin, of the District of Columbia.

The following-named persons for appointment as Foreign Service officers of class 4, consuls, and secretaries in the diplomatic service of the United States of America:

John Dorman, of the District of Columbia.

Raymond E. Lisle, of New York.

William J. Ronan, of New York.

S. Wilson Clark, of California, for appointment as a Foreign Service officer of class 6, a vice consul of career, and a secretary in the diplomatic service of the United States of America.

GOVERNMENT PRINTING OFFICE

John J. Deviny, of the District of Columbia, to be Public Printer.

IN THE ARMY

APPOINTMENTS IN THE REGULAR ARMY IN THE ARMY NURSE CORPS AND THE WOMEN'S MEDICAL SPECIALIST CORPS

To be captains

Genevieve S. Beard, WMSC (PT), M2215.

Leona F. Koch, WMSC (Diet.), R884.

Dot Miller, WMSC (Diet.), R2212.

Jessie L. Miller, WSMC (PT), M2111.

Elizabeth M. Nevels, WMSC (Diet.), R2209.

Margaret Stuart, WMSC (Diet.), R537.

To be first lieutenants

Agnes Baclor, ANC, N737362.

Ethel L. Barnes, WMSC (Diet.), R999.

Geraldine B. Bernard, ANC, N753081.

Edith J. Bonnet, ANC, N788513.

Faith Boyd, ANC, N721777.

Faunetta L. Brown, ANC, N727101.

Ann C. Browning, ANC, N762686.

Martha Carle, ANC, N725819.

Corinne Casey, ANC, N764298.

Mary A. Casserly, ANC, N722914.

Katherine E. Chickering, ANC, N720896.

Louise M. Coard, ANC, N742037.

Irene M. Connell, ANC, N757627.

Gladys R. Corey, ANC, N761393.

Dorcas E. Coulter, ANC, N755160.

Edna F. Crandall, ANC, N797540.

Paula B. Crowe, ANC, N727421.

Kathleen M. Dean, ANC, N757103.

Glenice H. Dearborn, ANC, N753327.

believe there is danger that Russia will possess them. Neither will they start in business as long as they believe the United States will construct their factories for them.

The time has come for our Government to be firm with Russia and to be definite and economical with our European aid. Our domestic economy cannot bear the burden of the yearly purchase of \$2,000,000,000 worth of food products by the Commodity Credit Corporation. This practice must be drastically curtailed. We must not send any more blank checks to Europe. Let us send top American businessmen to help these European countries. After these men have made business-like requisitions our foreign-aid funds should be small in comparison to the amounts presently requested.

Under such a plan, our domestic food markets would not be depleted and our prices would approach normality. The people of Europe would realize that it was time to do more for themselves and the continuous relief program could be transformed into actual reconstruction.

Religious Teaching in Public Schools

EXTENSION OF REMARKS

OF

HON. GEORGE W. GILLIE

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 10, 1948

Mr. GILLIE. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following article by Clifford B. Ward:

GOOD EVENING

(By Clifford B. Ward)

Mrs. Eugene Meyer, wife of the publisher of the Washington Post, has an article in the current issue of Reader's Digest entitled, "Should the Churches Invade the School?" I would like her to write instead on the question, "Should God Be Allowed To Invade The Schools?"

All, or certainly a majority of Americans are agreed that the public schools of this country should not be controlled by any denominational or sectarian church, but it is difficult to support the growing contention that God should be barred from American education.

Yet God is being barred, except as He can sometimes sneak in the side door. References to Him are very casual, almost in the manner that someone would pay lipservice in Africa to local folklore.

It is considered a crime nowadays to let children grow up without knowing about the romantic impulses of birds and bees. We must know how the birds and bees got here, but we must not investigate as part of education how man got here, how the earth got here or how the Universe got here.

But although it is offensive to teach affirmatively in a public school that God is the primary cause of all matter, it is not considered offensive for someone to teach that God is not the primary cause of all matter. If you lack faith in God and preach negatively that there is no God, you can be protected under the spurious application of the principle of academic freedom, but if you have faith in God and teach affirmatively the reverse of the proposition you are likely to be accused of aiding the church to invade the schools.

We are in a very incongruous position in this country with respect to public-school education. We don't know exactly where we start and stop. The State bows to the church

when it exempts from taxation all religious property. It bows to the church when it runs sewers, water mains, and electric lights to religious institutions. It bows to the church when it allows church services to be held on battleships and on Army reservations. It bows to the church when the Army and Navy use tax money to keep chaplains on the Army and Navy pay rolls. It bows to the church when it employs a chaplain, at State expense, to say a daily prayer at the sessions of the United States Senate and the United States House of Representatives. It bows to the church when it respects the great religious feasts of Christianity, such as Christmas and Easter. But it does not know whether it should stand for the singing of Christmas carols in the public schools and it does not know whether children should be allowed released time in schools for religious instruction.

What the constitutional fathers may have meant in full, we are not certain, but we do know that the founding fathers wanted to assure religious liberty in this country so that every man might worship as he pleases. We also are certain that they wanted as a means of protecting this civil freedom to allow no establishment in this country of a state church as there is in England, where Anglicanism is the state religion; in some countries where Lutheranism was the state religion; and in some Latin countries where Catholicism is the state religion. But the mere fact that the founding fathers took great pains to protect the rights of individuals to worship God as they please indicates that the fathers placed a great value on both God and religion.

Because of the extensions of this philosophy we now have a situation where many graduates from public schools, at least in certain parts of the country, graduate knowing something about Napoleon, Julius Caesar, Seneca, and all the other great human figures of the past but nothing about Jesus Christ, either as a historical figure or as a divine figure. They have a right to say to themselves upon graduation, "Christ must have been a myth or an unimportant figure, else my schooling would have included some knowledge about Him."

We ought to keep churches from improperly invading public schools, but it is blasphemous to attempt keeping God out of them.

Courthouse in the District of Columbia

EXTENSION OF REMARKS

OF

HON. GEORGE A. DONDERO

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 10, 1948

Mr. DONDERO. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following report:

REPORT TO THE CONGRESS OF THE UNITED STATES CONCERNING COURTHOUSE IN THE DISTRICT OF COLUMBIA BY THE STATUTORY COMMITTEE UNDER PUBLIC LAW 80, EIGHTIETH CONGRESS

MARCH 8, 1948.

The honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES,

Washington, D. C.

SIR: This report is made to Congress pursuant to provisions of Public Law 80, Eightieth Congress; approved May 29, 1947, as amended in Public Law 271, Eightieth Congress, chapter 361, approved July 30, 1947, by the committee designated therein. Plans have been prepared under the direction of the committee for the construction of a courthouse in the District of Columbia for the use of

the United States Court of Appeals for the District of Columbia and the District Court of the United States for the District of Columbia. These plans are in sufficient detail to fully portray the size, character, and scope of the project and have been approved by the committee.

The project has been presented to the National Capital Park and Planning Commission and has been approved by it as to the exact location of the building on the site. The project also has been presented to the Commission of Fine Arts and it has approved the design of the building.

The estimated cost of the building, including all elements and specifically including the amount of \$2,420,000 established in section 4 of the applicable law as the value of the site, is \$18,665,000. Of this sum, \$370,000 previously has been appropriated by Congress. This limit is based upon levels of construction costs prevailing as of March 1, 1948.

In submitting this report to Congress, the committee again calls to the attention of the Congress the serious urgency of providing a new courthouse at the earliest practicable date. For more than 10 years the need has been serious but within the past few years the business of the courts has grown to such an extent that the work is being seriously impaired by lack of proper facilities. This need has been called to the attention of Congress on a number of occasions and is believed it will be recognized. However, the committee begs leave to be granted hearings as to the extent and seriousness of the need if any question should arise with regard to the immediate authorization and appropriation for the construction of the building.

Sincerely yours,

HAROLD M. STEPHENS,

Acting Chief Justice, United States Court of Appeals for the District of Columbia.

BOLITHA J. LAWS,

Chief Justice, District Court of the United States for the District of Columbia.

JAMES M. PROCTOR,

Associate Justice, District Court of the United States for the District of Columbia.

C. R. YOUNG,

Commissioner, District of Columbia.

W. E. REYNOLDS,

Commissioner of Public Buildings.

DAVID LYNN,

Architect of the Capitol.

The Marshall Plan

EXTENSION OF REMARKS

OF

HON. WILLIS W. BRADLEY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 10, 1948

Mr. BRADLEY. Mr. Speaker, just recently the editor of the Los Angeles Daily News asked the Members of Congress from the districts included in Los Angeles County to write a short editorial giving their individual views of the Marshall plan.

I am pleased to present herewith the editorial which I wrote and which was published in the Los Angeles Daily News of March 1, 1948:

MANCHESTER BODDY

Perhaps no issue before the American public has been so widely investigated, explained and debated as the Marshall plan. Practically every Member of Congress had an

opportunity to study the implications and problems involved in it at first hand, both in Europe and behind closed doors in official Washington. There has been ample time for deliberation and mature consideration. Soon the hour will strike when our Representatives in Congress must stand where all can see them and vote in support of or for the defeat of the Marshall plan.

Today we hear from the Honorable WILLIS W. BRADLEY, Member of Congress from Los Angeles County's Eighteenth District. Representative BRADLEY, a Republican, is serving his first term in Congress, to which he was elected in November 1946. A graduate of the United States Naval Academy, and a retired Naval officer, Representative BRADLEY holds the Congressional Medal of Honor, served with distinction in both world wars.

If you agree or disagree with Congressman BRADLEY write to him, not to the editor. This is your opportunity to help democracy work.—M. B.

"Probably the most difficult legislation to confront Congress is the so-called Marshall plan—officially the European recovery plan.

"It is difficult, because it is not founded on easily ascertainable facts. Rather, it rests largely on sympathy, fear of communism, propaganda, need of outlets for American goods of many categories, and the desire of our current national administration to bolster European governments with which it is on good terms.

"It is difficult, because its very terms may create an international sponge to absorb our revenues for a generation or more to come.

"It is difficult, because, once established for Europe, the idea will spread to other parts of the world and the 'White Man's Burden' of British Empire days may be transformed into an 'Old Man of the Mountain' sitting on the shoulders of American taxpayers and strangling their every move toward a better life in the United States.

"I would not have you think that I am against all aid to war-torn nations. Quite the contrary, I favor such aid—but I cannot escape the thought that my first duty is to the people of my own country rather than toward the leveling of living standards of the world—a feat which I fear will be all too successful in pulling our level down close to that of the average European rather than in raising his standard to approximate our own.

"Our plans, as indicated in the temporary aid program voted last December, really contemplate very little direct relief to the cold or to the hungry. Basically, they aim at getting material to governments—material which these governments may use or sell to bolster their own economy.

"When one questions whether we can afford the vast relief program, he is met with the standard reply that 'We can't afford not to have it.' Then he is confronted with all sorts of statements of the terrible things which will happen to us if we refuse to go along with our global planners. In the meantime, the propaganda mills grind out their fantastic statements which lead foreign nations to believe that we have committed ourselves to their aid for at least another 4 years, and that any reduction in State Department plans for relief would be bad faith on the part of the United States.

"I am convinced that we have built up an economy which requires a certain export trade to keep our factories in large-scale operation and our people fully employed.

"I am convinced that foreign peoples do not have means to buy these exports and that we should give or lend enough to tide them over while they have an opportunity to recover their economic fortunes. I know there is no certainty that they will so recover and I appreciate that we cannot buy our own goods indefinitely merely to keep up foreign trade. That would seem like trying to lift one's self by his bootstraps. However, I think the reward is worth the risk we

take and I am willing to take a few chances in our struggle for a prosperous America.

"I do not favor a long-term commitment. One Congress cannot legally commit another—even contractual obligations cannot bind a Congress to make appropriations. Congressional approval of any plan exceeding 1 year will be only a breeder of trouble—an excuse for the vilification of Congress and of the American people for bad faith in the event we should cut down on either the time or the money expected over an extended program.

"I favor only what we can afford without wrecking the financial structure of the United States or saddling vast new debts on our children. They are going to have enough troubles of their own without having more of our global dogooders' debts to pay through sweat and privation.

"Let's help where we can, but let's never forget that the United States is the world's last bulwark of government based on the initiative, the dignity, and the equality of opportunity of the common man.

"If we fail, either in peace or war, the acceptance of the individual as the unit in national life is almost certain to be replaced by the theory of the state as the base of government, with the individual dropping back into those days of subservience when he was nothing, and the King of France could say, in truth, 'The state? I am the state.'

A Former Republican Michigan Governor Speaks His Mind

EXTENSION OF REMARKS OF

CLARE E. HOFFMAN

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, March 5, 1948

Mr. HOFFMAN. Mr. Speaker, a heroic, eloquent, and picturesque former citizen of Michigan—and a former Governor—now living in Georgia, agrees with the suggestion that Republicans seize the opportunity to break into the democratically solid South, and writes the editor of the Detroit Free Press, as follows:

POULAN, GA., March 5, 1948.

DEAR EDITOR, DETROIT FREE PRESS: In a recent editorial you took issue lightly with Congressman CLARE HOFFMAN for his suggestion that the Republicans nominate somebody for President who would be acceptable to Southerners and ease up on civil rights.

To my mind that proposal of his is one of the most hopeful ideas to come out of Washington in some time.

The civil-rights cleavage is critical. We are pouring out millions to stop communism in China. We are pouring out billions to stop communism in Europe. In this country, to stop communism eating at our vitals, can we not show one grain of common sense?

Remember the massacre at Fort Mackinac? Democrats and Republicans have used the civil-rights issue through a string of decades for a political football. In 1948 the Communists have picked it up and are playing it as their game of lacrosse. We know what they are up to. And we can block them if we will.

The Republican Party has the chance of its lifetime if it follows the advice of Congressman HOFFMAN and Booker T. Washington.

Speaking before the National Education Association in Madison, Wis., the great Negro leader said:

"Brains, property, and character for the Negro will settle the question of civil rights.

The best course to pursue in regard to the civil rights bill in the South is to let it alone. Let it alone and it will settle itself.

"Good school teachers and plenty of money to pay them will be more potent in settling the race question than many civil rights and investigating committees."

The Atlanta Constitution comments the other day: "Had the National Government taken Booker T. Washington's advice then and spent more money educating and less time, in election years, exploiting the Negro, the latter would be immeasurably better off today."

That adds up to something for the Republicans and the Nation to ponder.

I hope that Mr. HOFFMAN will keep right on pounding away with his idea. It is the way. Postpone coercion and offer a candidate acceptable to the South—preferably VANDENBERG, with a strong program of Federal aid for basic education. Intolerance breeds unendingly in the swamps of ignorance. Coercive Federal laws are impotent, except to make the mire deeper. Education—an all-out program of basic education for both whites and Negroes—will ditch and drain off the source of injustice and danger.

We are spending billions to speed recovery for the world's sake and our own in 16 foreign nations—all this against the flaming background of what we ourselves are suffering today from failure to extend such help to our own South 80 years ago.

A Congressman from South Carolina shouted at his Republican colleagues the other day: "You are losing your first real chance since the War Between the States to make friends with the South." He, too, is right so far. We have a chance at least, after 80 painful years, to retrieve a tragic error. It is a marvelous opportunity that we ought to seize upon with earnest gratitude to God and make the occasion of a national special thanksgiving.

CHASE S. OSBORN,
Former Governor of Michigan.

Interruption of Service

EXTENSION OF REMARKS OF

HON. PETE JARMAN

OF ALABAMA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 10, 1948

Mr. JARMAN. Mr. Speaker, it is common knowledge that I have been the most regular attendant at the hearings on the Marshall plan before my committee. Considering this by far the most important issue confronting us today it has afforded me pleasure to devote practically my entire time to it during this session with the sincere hope of thereby contributing toward the preservation of peace, the saving of our civilization, and the prevention of the slaughter of our little sons and unborn grandsons on the battlefields of a future war. Since it so directly concerns the welfare, the future well-being and way of life of every single man, woman, and child in this Nation, I was delighted to so perform what I considered my first and most immediate duty to my constituents even though it necessitated my falling woefully behind with nonurgent routine. It was my sincere hope to continue this active interest and be thoroughly qualified to contribute my bit toward the handling of this legislation when it reaches the floor and its passage by the House. However, I re-

gret that I am now confronted with unexpected last-minute opposition. While I hope and believe it is not serious, as you know candidates against incumbent Congressmen who vote their convictions are now frequently backed and well financed by strange and powerful forces operating from outside our districts. Some of their leaders are not always interested in the best interests of this country and entertain no desire for representation of the entire cross section of its people but wish to dominate and control the Congress for their own selfish purposes.

Furthermore, the value of my 12 years' seniority means so much to all concerned that I consider it my duty to my country and my constituents to preserve it for them when opposition occurs, regardless of the importance of the duties which must be temporarily laid aside. However, before proceeding to the performance of this duty it is, of course, mandatory that I clear up this accumulation of routine. Consequently, my colleagues on the Foreign Affairs Committee have been good enough to permit me to leave my proxy with either of the three Democrats senior to me, and I have requested a pair on votes in this body with a Republican friend whose regular attendance is similarly prevented and who generally votes opposite to me. Therefore, nothing will be lost except my voice. I am very grateful for the statement of one of my colleagues on the committee, "Pete, I am mighty glad you secured that proxy, but I hate terribly to lose your voice."

To illustrate my seniority, there are only 80 of the 435 Members of the House with longer service. It is even now known that 10 of these will not serve in the next Congress and this number will undoubtedly prove to be considerably larger.

I appreciate deeply the many expressions of regret by good friends on both sides of the aisle who are so well aware of my interest in our foreign policy, which will so greatly influence the maintenance of our standard of living, our way of life in the future, and the preservation of peace. Tears of appreciation almost came to my eyes when a senior colleague whom I regard as one of the ablest Members of the House said, "Pete, I am just as sorry as I can be of your opposition, which I simply do not understand, because I think among all the Members of the House you are the one man whose record entitles you to never have opposition."

It is unfortunate for one who works as diligently as I and most of you take pleasure in doing to be so called from our labors at such a critical moment in the history of the world. To illustrate, I quote headlines from the front page of Tuesday's Washington Post:

"VANDENBERG calls on Senate for swift approval of ERP to head off war"; "Condon associating with alleged spies, anti-Red unit charges"; "Congressional board sees war threatening—urges twelve billion for air supremacy"; "GOP warned of danger in tax slash"; "Czech voting delay hinted by minister"; "Fate of UMT in balance today on Capitol Hill."

The following day the first page of the same paper recorded these headlines:

"Economic aid not enough BALL declares"; "VANDENBERG still keeping foot in door"; "Antilynch bill clears House group"; "All Finnish parties agree to negotiate with Russians."

Few other than we from the South are disturbed by the President's civil-rights program, the passage of which simply must not occur since it would not be for the best interest of either race. However, we are all greatly disturbed by the Communist threat in Europe and Asia and most of us realize the necessity of doing everything possible to curb it. I warn you, however, my colleagues, that it is not only in Europe that this threat exists. Instead there are entirely too many thoroughly intelligent people in our own country who are deliberately contributing thereto. Frankly, I gave former Vice President Wallace credit for being sincere until his recent testimony before our committee. It was so completely down the party line, however, that I now labor under no such delusion. We know that he has many followers in the United States. I am very much afraid that he and they constitute a menace much more serious than we have realized which it behooves us to combat in every possible way. One way in which this can be done is by the defeat of candidates backed by any organization in which pinks and fellow travelers enjoy influence.

I cordially invite my opponents, one of whom I am confident is so backed, to fully explain to the excellent people of my district, than whom there are no better people in the world, why they believe it would be beneficial to them and to our country to substitute their natural inexperience for my 12 years' experience here where seniority is more valuable than anywhere else in the world.

While I regret that I must be denied the privilege of seeing much of you ladies and gentlemen in the immediate future, I look forward with keen interest and pleasure to a continuation of our work together after the election.

Violence Was Inevitable in Palestine

EXTENSION OF REMARKS

OF

HON. THOMAS J. LANE

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 10, 1948

Mr. LANE. Mr. Speaker, under leave to extend my remarks, I include the following article by Jorge Garcit Granados, formerly Guatemalan Ambassador to the United States and a member of the United Nations Special Commission on Palestine, which appeared in the February 1948 issue of United Nations World:

VIOLENCE WAS INEVITABLE IN PALESTINE

(By Jorge Garcia Granados, Guatemalan Ambassador to the United States)

Those who know my work on the United Nations Special Committee on Palestine, and

who have followed my efforts to put the committee's majority recommendation into effect now frequently ask me:

"In view of the bloodshed in the Holy Land do you still think that you were right in advocating the partition of Palestine into Arab and Jewish states?"

To such and similar questions I have an unequivocal answer. Nothing can alter my belief that partition provides the best possible solution for the Palestine problem. Recent events in the Holy Land, however regrettable, cannot shake this conviction.

I hope it will not sound callous when I say that we on the UN Palestine Committee always expected a violent reaction to partition. In our closed meetings we discussed the probability of bloodshed as, indeed, we realized that such a major operation cannot be accomplished without spilling some blood in the process.

Great political decisions involving the birth of nations are usually accompanied by violence. There was bitterness and ambuscade in the wake of Ireland's partition. A veritable blood bath and indescribable misery followed the partition of India.

We had to accept this same price in Palestine, too, always hoping that the fighting would be sporadic and confined to the area immediately affected by the UN's decision. We had faith in the statesmanship of the neighboring Arab countries, themselves members of the United Nations. We could never for a moment believe that they would violate the Charter or rebel against the decision of the General Assembly.

During my mission to Palestine as Guatemala's delegate to UNSCOP I had exceptional opportunity to acquaint myself with the real sentiment of the people of Palestine and I made the most of it. I talked with Arab and Jew in all walks of life. I held clandestine conferences with leading members of the Jewish underground as well as with leaders of the Arab Higher Committee. I stopped to talk with Fellahin (Arab peasants) leading their donkeys to Jerusalem on the road Jesus once traveled. I have joined in endless discussions with young Jewish colonists in their settlements. I know first hand that the vast majority of the Palestinian people want peace and tranquillity.

It is usually taken for granted that the Jewish community accepts the UN decision without opposition. It is similarly believed that all the Arabs of Palestine will oppose it to the end. Neither contention is completely true. A majority within the Jewish Agency now accepts the decision of the General Assembly and stands ready to implement it on the deadline. But there are important elements even within the Jewish community which may as yet complicate the execution of the plan. This possibility was revealed to me when I visited Menahim Beigen, commander in chief of the underground organization, Irgun Zvai Leumi, and in various conferences with members of the Stern group.

My meeting with Beigen had all the earmarks of a detective thriller. I was clandestinely approached by one of his lieutenants who invited me in his chief's name to conference "somewhere in Tel Aviv." I agreed eagerly and was taken in a roundabout way to an apartment in the all-Jewish city where Beigen was waiting for me.

I had seen his picture before, but the man who now confronted me looked different. I was told that Beigen submits to plastic surgery to change his face from time to time, thus preventing recognition by agents of the government's criminal investigation division. There is a huge price on his head. Beigen told me his organization exists only to fight the British on the issue of Jewish immigration into the Holy Land. He made me understand that once the bars to immigration are lifted, Irgun will have outlived its usefulness.

There is no political cohesion within Irgun itself. Its members represent all shades of political opinion, ranging from left-wing socialism to middle-of-the-road democracy and to views far right of center. Beigen himself is a military leader and not a politician. But even if he knew how to do it, he could not polarize his heterogeneous forces into one solid political party. I am convinced that partition will see the dissolution of Irgun, its members joining the various political parties in the new Jewish assembly.

The Stern group represents a different problem. Although small in number and composed of young hotheads (most of them in their teens), the organization has a hazy but definite political philosophy, which is in opposition to partition. The Sternists dream of a Jewish state extending far beyond the present borders of Palestine, incorporating Transjordan as well. They might, therefore, continue their underground struggle, posing a delicate police problem for the new Jewish state.

The Arabs form a similarly divided community. I would like to state with all the emphasis at my command that not all Arabs are committed to a bitter-end opposition to partition. There are many moderate, level-headed men among the Arab leaders unaffected by the rantings and threats of the Grand Mufti and ready to co-operate in carrying out the UN's decision. I know these men personally, virtually all of them, and I have their solemn words to this effect. Nothing would be gained by enumerating here their names or their affiliations. I would merely be exposing them to the venom and the assassins of the Mufti who never hesitates to eliminate his opponents by whatever means, fair or foul. One of the leaders of this moderate group, Ragheb Bey Nashashibi, recently paid with his life for his opposition to the Mufti's grandiloquent plot. His murder has made his surviving friends doubly cautious.

Far beyond this group of Arab politicians, one can find moderation on all levels. Over-shadowed by the alarming news of bloodshed are the innumerable friendship and nonaggression pacts concluded between individual Arab and Jewish communities. They are sacred covenants in the best tradition of the Near East. In most instances the initiative for these covenants originated with the Arabs, in defiance of orders they received from the professional trouble makers. I do not doubt that in the end this peaceful majority will prevail and impose peace on the recalcitrant minority.

Of course, far more is needed than individual covenants and occasional friendship pacts, concluded in an improvised manner and affecting but small local regions of the Holy Land. As I see it, each community has its own responsibilities in the present situation. Only when all of them become conscious of their particular responsibilities and act on them accordingly will peace be truly restored to the Holy Land.

The first and, for the time being, major responsibility rests with the British. I do not go along with those who level blanket accusations against the British administration and indiscriminately raise charges of sabotage against it. I realize that Britain needs the friendship of all Arabs, both within and without Palestine, and has to maintain a position of neutrality in the present situation when protection of the Jews might appear to be partisan intervention on their behalf. I am also told that His Majesty's Government, for urgent domestic reasons, tries to keep British casualties at a minimum and is reluctant to expose its forces to large-scale attacks.

But the presence of Britain in Palestine is a political reality the consequences of which no one can ignore. The present disturbances occur in an area which is entrusted to the care of the United Kingdom. When I raised

this point in conversations with Sir Alexander Cadogan he assured me that Britain is both able and willing to maintain law and order in the Holy Land. There are at present at least 80,000 British troops in Palestine excellently equipped, battle trained, familiar with the terrain and the specific nature of their duties. In addition, there are various police forces under British command long used to joint operations with the military.

In these circumstances I am amazed to hear that the roads of Palestine are no longer safe even for convoys carrying essential supplies to distant colonies. I know those roads. I have traveled them myself. They can be patrolled both on the ground and from the air and kept open against the scattered guerrillas who now make them impassable.

The British responsibility is clear-cut: it is the maintenance of law and order until the date when this responsibility will be assumed by the United Nations.

The responsibility of the UN is inherent in the decision of the General Assembly and in the obligation which its execution imposes upon the international organization. In order to be able to carry out the Assembly's instructions I think the United Nations must pursue the following course:

First of all, it must immediately begin the formation of the Jewish and Arab militias provided for in the Assembly's resolution, to be ready in time to take over police functions from Britain.

Second, it must immediately begin negotiations with representatives of the moderate Arab groups to prevent ensuing chaos in the Arab vacuum that will be created by Britain's withdrawal.

Third, it must in all its dealings with the Palestine problem show absolute and resolute firmness and energy, to convince all hotheads both in Palestine and abroad that it means business and that nothing can be gained by trying to terrorize the United Nations.

I purposely placed the formation of the Jewish and Arab militias at the top of the list. Law and order must have an unbroken continuity in the Holy Land if partition is to become an accomplished fact on October 1, 1948. If no large-scale invasion from abroad develops, these militias will be sufficient to maintain order, and also to cope with guerrilla forces which might try to cross into Palestine.

The organization of these militias must be the first task of the UN's five-man Palestine Commission. Their arming should present no difficulty. The embargo which the United States placed on the shipment of arms to Jews and Arabs cannot extend to shipments to an agency of the United Nations, and indeed, I have reason to believe that the necessary weapons and ammunition will be promptly forthcoming from the United States once they are applied for by the UN Commission.

No doubt the Jews will receive these arms eagerly. If common sense prevails, the Arabs, too, will accept them. However, should the Arabs refuse to cooperate with the UN in the establishment of their militia, the United Nations Commission must at once ask the Security Council to create one of its own for immediate duty in the new Arab state. No hiatus can be tolerated when it comes to the maintenance of order anywhere in the Holy Land.

The UN Commission knows as well as I do the identity of those Arab leaders who stand ready to form a government of their own in the new Arab state—provided they are offered the unconditional and effective protection of the United Nations, not merely against abuses, but also against attempts on their lives.

No precautionary measures must be overlooked to protect the safety of these Arab leaders. I am convinced that the present power of the Mufti is largely due to the fact

that the killings of the past, including the cowardly murder of Nashashibi, went unpunished. Even after Nashashibi's murder, his friends failed to receive adequate protection from the authorities. The UN cannot continue this practice. It must convince all extremists, both those who fight with the Mufti on sincere religious grounds, and those who serve him in fear of their own lives, that the United Nations means business.

In all these activities the United Nations must show meticulous impartiality. It can tolerate no excesses whether they be perpetrated by Arabs or by Jews.

Although I dislike contemplating the possibility, what will happen in case of an organized invasion by member states of the Arab League?

In such an event the Security Council will be obliged to act at once under the provisions of the Charter which contains explicit instructions for dealing with aggressors. The United Nations will then invoke economic sanctions against the violators of the Charter and, if such steps prove insufficient, call on its members to place at its disposal the necessary forces needed for military sanctions on land, from the air, and at sea.

The risk involved in such an irresponsible step was fully appreciated at the conference of the Arab states held in Cairo in early December 1947. It was then decided to refrain from participation in an invasion of Palestine, but to aid the Palestine Arabs with arms and volunteers in their fight against partition. It will be left to the UN Commission to deal with this contingency. I, for one, firmly believe that the respective militias of the new states will be sufficient to cope with this eventuality.

Whatever the future has in store for Palestine, reascent under the wings of the United Nations, it is now up to the UN to prevent it from becoming a fatal impediment to the execution of its own resolution. Palestine is no longer an Arab or a Jewish problem. It is the problem of the United Nations whose prestige and, indeed, whole future is at stake. There can be no retreat from the decision of November 30, 1947. No compromise is possible. From now on the United Nations must go forward with unfaltering steps if it is to prove to the world that it can make up its mind and make its decisions stick.

Foreign Policy Stumbles Toward War

EXTENSION OF REMARKS

OF

HON. LAWRENCE H. SMITH

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 10, 1948

Mr. SMITH of Wisconsin. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following editorial by John S. Knight:

UNITED STATES FOREIGN POLICY STUMBLES TOWARD WAR

Just what is our foreign policy?

If anyone, including President Truman, can give a clear and convincing explanation, we should like to hear it.

The truth is that we are day-to-day improvisers laboring under the delusion that a few more billions scattered here and there will meet any emergency that arises.

When men of good faith met at San Francisco to draft the charter for the United Nations, there was genuine optimism that nations of the world could work together for world peace and economic security.

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 10 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. COOPER to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz: On page 9, between lines 5 and 6, insert the following new subsection:

- 1 (c) The Administrator and the department, agency,
- 2 or officer in the executive branch of the Government exer-
- 3 cising the authority granted to the President by section
- 4 6 of the Act of July 2, 1940 (54 Stat. 714), as amended,
- 5 shall keep each other fully and currently informed on matters,
- 6 including prospective action, arising within the scope of their

1 respective duties which are pertinent to the duties of the
2 other. Whenever the Administrator believes that any
3 action, proposed action, or failure to act on the part of
4 such department, agency, or officer is inconsistent with the
5 purposes and provisions of this Act, he shall consult with
6 such department, agency, or officer and, if differences of
7 view are not adjusted by consultation, the matter shall be
8 referred to the President for final decision.

AMENDMENT

Intended to be proposed by Mr. COOPER to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

MARCH 10 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE

Division of Legislative Reports

(For Department staff only)

Issued March 12, 1948

For actions of March 11, 1948

80th-2nd, No. 46

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HIGHLIGHTS: Senate debated ERP bill; includes lists of persons (including those in USDA) who participated in preparation of ERP. House passed Treasury-Post Office appropriation bill; agreed to amendment to permit purchase of technical nonstandard typewriters. Rep. Halleck said agricultural appropriation bill to be debated Mar. 17, 18, and 19. House received \$55 million supplemental estimate for foreign aid. Rep. Cannon introduced measure to authorize Appropriations Committee to determine fitness of Government personnel.

SENATE

1. **EUROPEAN RECOVERY PROGRAM.** Continued debate on S. 2202, the ERP bill (pp. 2603-35). Agreed to the following amendments:
 - By Sen. Ball (for himself and Sen. Wherry), to provide for specific projects, to be submitted by participating countries and approved by the Administrator (p. 2622).
 - By Sen. Vandenberg, to provide that the U. S. Special Representative in Europe shall be subject to the Administrator's directions (p. 2628).
 - By Sen. Cooper, to require the Administrator and the Secretary of State to confer and keep each other informed, etc. (p. 2632).
 - By Sen. Brewster, to provide for encouraging travel to participating countries (pp. 2633-4).Rejected the following amendments:
 - By Sen. Ball (for himself and Sen. Wherry), to separate relief projects from recovery projects and to channel the funds into specific projects approved by the Administrator (pp. 2620-2).
 - By Sen. Brooks (for himself and others), to take Ambassadorial status away from the Special Representative in Europe; by a 25-52 vote (pp. 2623-8).
 - By Sen. Brooks (for himself and others), to set aside 3% of funds to pay transportation costs of private American relief packages to participating countries; by a 34-38 vote (pp. 2629-32).

Sen. Wilson inserted a list of U. S. personnel (including those from USDA) who participated in preparing the ERP (pp. 2614-17). Sen. Capehart discussed his amendment to turn the program over to RFC for administration on a "private enterprise" basis (pp. 2603-14). Sen. Taft has an amendment to reduce the first year's authorization to \$4 billion.

It is expected that the bill will be voted upon by the end of this week.

2. TAX REDUCTION. The Finance Committee approved, but did not actually report, H. R. 4790, the income-tax reduction bill, with amendments (p. D226).
3. INDEPENDENT OFFICES APPROPRIATION BILL. The subcommittee concluded marking up this bill, H. R. 5214, and is to present it to the full committee this p. m. The "Daily Digest" states that the subcommittee made the following changes, among others: Eliminated the \$700,000 emergency fund for the President; reduced Budget Bureau \$200,000; and increased Council of Economic Advisers by \$50,000. (p. D226).
4. ANNUAL LEAVE. The Post Office and Civil Service Committee approved, but did not actually report, S. 1989, limiting lump-sum payment provisions for accrued annual leave, in transferring to agencies operating under different systems, to cases subsequent to approval of the act of Mar. 14, 1936 (p. D227).

HOUSE

5. TREASURY-POST OFFICE APPROPRIATION BILL, 1949. Passed with amendments this bill, H.R. 5770 (pp. 2639-81).
Agreed to Rep. Canfield's (N.J.) amendment to permit Veterans' Administration to purchase typewriters for disabled veterans, and Rep. Miller's (Conn.) amendment to permit purchase of technical nonstandard typewriters, as may be needed by agencies (p. 2681). Rep. Canfield discussed typewriter purchases (p. 2654).
During the debate Rep. Robertson, N. Dak., in discussing operations of the Federal Bureau of Supply, stated "that this is one of the affairs of the United States Government that has gotten clearly out of control of the Congress" (pp. 2675-6); Rep. Canfield, N.J., inserted the Appropriations Committee report on the bill (pp. 2639-50); and Rep. Hinshaw, Calif., inserted and discussed analytical statements and tables on "Federal Budget Expenditures, 1900-1948" (pp. 2662-6). Rep. Taber criticized executive branch "propaganda" on appropriations (pp. 2679-80).
6. FOREIGN AID. Received from the President a supplemental appropriation estimate of \$55,000,000 for additional aid under the Foreign Aid Act of 1947. (H. Doc. 565) (p. 2688).
7. TRANSPORTATION. The Merchant Marine and Fisheries Committee reported without amendment S.J. Res. 172 and H.J. Res. 338, to authorize vessels of Canadian registry to transport iron ore between U.S. ports on the Great Lakes from Mar. 15 to Dec. 15, 1948 (H. Repts. 1556 and 1557, respectively) (p. 2688).
8. LEGISLATIVE PROGRAM. Majority Leader Halleck announced the following program for the week of Mar. 15: Mon., H.R. 5470, removal of price criteria as a factor in export licensing, and S. 2182, the rent-control bill; Tues., Private Calendar; Wed., Thurs., & Fri., agricultural appropriation bill (p. 2639).
9. EXPENDITURES. Rep. Smith, Ohio, criticized increases in appropriations over previous years (pp. 2681-2).
10. HOUSING. Passed without amendment H. Con. Res. 155, extending the Joint Committee on Housing until June 30, 1948 (pp. 2637-8).
11. ROADS. The "Daily Digest" states that the Public Works subcommittee on Roads "voted to report to the full committee... a new bill in lieu of H.R. 4867 and H.R. 4868, to continue the Federal Aid Highway Act of 1944" (p. D229).
12. ADJOURNED until Mon., Mar. 15 (p. 2688).

SUPPLEMENTAL ESTIMATE OF APPROPRIATIONS FOR
FOREIGN AID

COMMUNICATION

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

SUPPLEMENTAL ESTIMATE OF APPROPRIATION FOR THE FISCAL
YEAR 1948 IN THE AMOUNT OF \$55,000,000 FOR ADDITIONAL AID
UNDER THE FOREIGN AID ACT OF 1947

MARCH 11, 1948.—Referred to the Committee on Appropriations and ordered to
be printed

THE WHITE HOUSE,
Washington, March 11, 1948.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: I have the honor to submit for the consideration of the Congress a supplemental estimate of appropriation for the fiscal year 1948 in the amount of \$55,000,000 for additional aid under the Foreign Aid Act of 1947.

Maintenance of a continuing flow of essential supplies to Austria, France, and Italy is imperative for the preservation of the economies of these countries. There now is grave danger that a break in the supply pipe line will occur between the end of the interim aid program, which the Congress authorized to continue to March 31, and the start of any program which could be authorized under the European recovery legislation now being considered by the Congress.

As shown in the attached letter from the Director of the Bureau of the Budget, there is an immediate need for additional funds in the amount of \$55,000,000 to permit the continued placement of contracts for essential supplies for a brief additional interim period. These additional funds can be provided under Public Law 389 (80th Cong.) which authorizes the appropriation of \$597,000,000 for foreign aid. Of this authorization \$75,000,000 remains unappropriated.

Events which have taken place in Europe during recent weeks do not permit us with safety or prudence to risk a break in the supply

flow at this critical moment. I therefore hope that the Congress will find it possible to make available the needed funds before April 1.

The appropriation proposed will provide relief only for a very short period and extreme urgency remains for the earliest possible authorization of the European recovery program itself.

Respectfully yours,

HARRY S. TRUMAN.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., March 10, 1948.

The PRESIDENT,
The White House.

SIR: I have the honor to submit herewith for your consideration a supplemental estimate of appropriation for the fiscal year 1948 in the amount of \$55,000,000 for additional aid to France, Italy, and Austria, as follows:

FUNDS APPROPRIATED TO THE PRESIDENT

FOREIGN AID

Foreign aid: For an additional amount, fiscal year 1948, for "Foreign aid," \$55,000,000, to be applicable to Austria, France, and Italy: *Provided*, That notwithstanding the provisions of section 15 of the Foreign Aid Act of 1947 (Public Law 389, Eightieth Congress), all funds appropriated for the purposes of such Act shall remain available for obligation for the procurement of commodities for a period of thirty days following the date of enactment of this Act.

This estimate of appropriation is to provide additional funds to meet the emergency needs of France, Italy, and Austria pending action of the Congress on the proposed European recovery program. These funds will permit the placement of orders for essential supplies for a brief interim period beyond that provided for by funds already appropriated under the Foreign Aid Act of 1947.

Funds hitherto appropriated under that act will not be adequate to cover necessary commitments for food, fuel, fertilizer, fibers, and medical supplies beyond March 31, 1948. It does not now appear prudent to assume passage by that date of authorization of a European recovery program. We are therefore faced with the prospect of a serious gap in the flow of supplies.

Since the proposed European recovery program was expected to cover the period to which this estimate is applicable the initial estimate of appropriation for that program will take into consideration any amount appropriated pursuant to this submission.

I recommend that the foregoing estimate be transmitted to the Congress.

Respectfully yours,

JAMES E. WEBB,
Director of the Bureau of the Budget.

mation Service in Europe and the conditions affecting it, pursuant to provisions of H. Res. 295.

Mr. JENNER. I ask unanimous consent for the immediate consideration of the concurrent resolution.

There being no objection, the concurrent resolution was considered and agreed to.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. WHERRY. The distinguished Senator from Indiana [Mr. CAPEHART] is ready to propose an amendment in the nature of a substitute. I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Chair recognizes the Senator from Indiana. Does he yield for the purpose of having a quorum called?

Mr. CAPEHART. I yield for that purpose.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hatch	O'Connor
Baldwin	Hawkes	O'Daniel
Ball	Hayden	O'Mahoney
Barkley	Hickenlooper	Overton
Brewster	Hill	Pepper
Bricker	Hoey	Reed
Bridges	Holland	Revercomb
Brooks	Ives	Robertson, Va.
Buck	Jenner	Robertson, Wyo.
Butler	Johnson, Colo.	Russell
Byrd	Johnston, S. C.	Saltonstall
Cain	Kem	Smith
Capehart	Kilgore	Sparkman
Capper	Knowland	Stennis
Chavez	Langer	Stewart
Connally	Lodge	Taft
Cooper	Lucas	Taylor
Cordon	McCarran	Thomas, Okla.
Downey	McClellan	Thomas, Utah
Dworshak	McFarland	Thye
Eastland	McGrath	Tobey
Eaton	McKellar	Umstead
Ellender	Magnuson	Vandenberg
Ferguson	Maybank	Watkins
Flanders	Millikin	Wherry
George	Moore	Wiley
Green	Murray	Williams
Gurney	Myers	Wilson

Mr. WHERRY. I announce that the Senator from South Dakota [Mr. BUSHFIELD], the Senator from Pennsylvania [Mr. MARTIN], the Senator from Nevada [Mr. MALONE], the Senator from Wisconsin [Mr. MCCARTHY], and the Senator from Oregon [Mr. MORSE] are necessarily absent.

The Senator from Missouri [Mr. DONNEL] is absent by leave of the Senate.

The Senator from Maine [Mr. WHITE] is absent because of illness.

The Senator from North Dakota [Mr. YOUNG] is absent by leave of the Senate.

Mr. LUCAS. I announce that the Senator from Arkansas [Mr. FULBRIGHT] and the Senator from Maryland [Mr. TYDINGS] are absent because of illness.

The Senator from Connecticut [Mr. McMAHON] is absent on public business.

The Senator from New York [Mr. WAGNER] is necessarily absent.

The PRESIDENT pro tempore. Eighty-four Senators having answered to their names, a quorum is present.

Mr. CAPEHART. Mr. President, I rise to discuss a substitute for Senate bill 2202, the European Recovery Act. The substitute has been printed and I am sure is on the desks of Senators.

In view of the importance of continuity in my remarks, I request that I be permitted to conclude my statement without interruption. However, upon the completion of my remarks I sincerely hope for and will welcome a most thorough discussion of my proposal, as I am as vitally interested in the question of European recovery as is any other Member of this body.

Mr. President, I think this is a good time to stop, look, and listen and to draw upon our experiences during the 172 years since the founding of our Government. We must weigh every angle of the problem before us very carefully. We can well afford to temper our haste sufficiently to study the lessons which were taught by those past experiences.

The trail of American success is not without its thorny places. There have been mistakes in judgment. There have been failures of purpose. Those errors have been overcome by the will of the people of this great Nation to continue against all obstacles toward the goal set by our forefathers.

The great faith of our people in our republican form of government is the trust we bear in all our considerations and should guide us in all our deliberations. As we face the problem of a future international policy which may mold a new course for America for all time, our greatest obligation to our country is the maintenance of faith in our form of government. Whatever we do here in this hour of unprecedented judgment cannot possibly succeed if our people lose faith in our form of government.

Yes; time may be important, but right is also important. What have we gained if we merely hurry to make a mistake? Of what great value was our haste to enter that terrible First World War to save democracy? It is not my intention to say whether we were right or wrong. I merely raise the question as to whether our efforts attained the purpose for which they were intended.

We must at times have shaken the faith of at least some of our people in the past 30 years as one hasty stride after another was taken into the pitfalls of international schemes. The freedom, the enterprise, and the faith of America carried our Nation to world leadership, but we have not led. We have followed. So weak and cowardly has been our leadership since the first tragic fight for democracy that today we must be constantly on guard within our own borders against the very philosophy over which we thought we had triumphed in two world wars.

In his address before the Senate on March 1 in behalf of the European recovery program, the capable and es-

teemed senior Senator from Michigan [Mr. VANDENBERG] said that east-west tension can be released when there is mutual east-west fidelity to the principles and purposes of the United Nations.

Mr. President, I believe we must take a more realistic view of our problem than can be found in those words. The east-west tension which has now become recognizable as the obstacle to world peace is another and a worse chapter in the history of the clashing of two ideologies of government. We have been giving this clash the head-in-the-sand treatment ever since the United States became a world power after World War I.

Free government and government by dictation have clashed at every meeting. Two wars and two peace failures is the score between the two at the present time. Democracy did not win the peace after World War I, and it is not winning the peace after World War II. Why? Why, Mr. President? Because the leadership of liberty-loving peoples for the last 30 years has acted cowardly when the issue was at stake.

Yes; we went into World War I to save democracy, but we stood by while the hatreds of Europe concocted the Versailles Treaty—a treaty that was made to be broken. We refused to ratify that treaty, but we also refused to be the leader we should have been in preventing its adoption by our allies. The Kellogg-Briand Pact against aggression was another farce which we did not escape. Japan was a member of that pact, and the whole kit and kaboodle sat back and watched Japan rape Manchuria in violation of that agreement. Then we watched Italy trample over Ethiopia. The dictators have no respect for agreements. Ask Marshal Stalin. I am not arguing the merits of our participation in the Kellogg-Briand Pact, but I am asking whether it accomplished the purpose for which it was intended.

As the savior of democracy with life and money in World War I, what part did we have at Munich when the blueprint was made for World War II? What part did we play when Mr. Hitler's bulletless troops marched into the Ruhr Valley? The clashing of the two ideologies brought war closer, and emergencies faced us with machine-gun rapidity.

Our people had faith in their leadership as they watched enactment of the Neutrality Act, then cash and carry, and finally lend-lease. Every move was based on arguments that it would keep us out of war. Did they serve the purpose intended? No. Again, I point out that I am not discussing the merits of those acts, but am only asking the question. We were frantic in our efforts to keep out of war. We gave 50 destroyers to England with that result in mind. We stepped up our trade with Japan in order to appease her. I do not know whether we could have stayed out of the war by any effort. I do know that we did not stay out.

Once in the war we turned to the work of preparing for the peace for which all of us prayed. Our spirit was buoyed by the Atlantic Charter; and as the war moved nearer its end, we poured our

greatest and most fervent hopes into Bretton Woods, the Export-Import Bank, and the United Nations.

Mr. President, our people solemnly and faithfully accepted every move of our leadership as a step toward a lasting peace. They had every right to feel that way because the most sincere effort of every framer of those documents had been expended in a history-making program for peace on earth. But those good intentions have not brought forth the purpose intended, because again we find those ideologies of Government clashing. Disappointment is springing up in the hearts of our people as they learn that another beacon of peace has been dimmed by the clashing of free government and dictatorship, as represented at Tehran, Yalta, and Potsdam.

What we do in this, another hour of great crisis, Mr. President, must be made to work.

First, we must recognize that success can come of our efforts only if we apply the American principles which have made us the Nation to which the world is looking for leadership to a lasting peace. Our people have faith in American principles—a faith established through war and peace; through prosperity and depression. We would not be true to our obligations if we were to forsake our heritage in time of crisis. It is on this basis that I take exception to the so-called Marshall plan for European recovery, and in lieu of which I have offered a substitute proposal for aiding in world recovery and world peace.

Mr. President, we cannot go further on this world stage with another act that portrays a weakness in our system.

The parts we have played have lacked courage. We have been guilty too many times of shirking before the power of State socialism. I have mentioned a few, but there are more.

With courage on our part Poland would not be dying today as a state; Czechoslovakia would not have wilted under the heel of Sovietism; the riddling of Greece would stop; and the rifling of Manchuria and eastern Germany never would have happened.

Money alone cannot stop the ruthlessness of an unconscionable dictator. We have already learned that bayonets do not make people free.

Mr. President, if bayonets and money do not make people free, what does?

I will tell you what does. It is the will of the people to be free and the courage of their leaders to keep them free.

Two wars have been fought. Terrible wars that have been costly in lives and in property. Yet from those wars came the worst dictators in the history of the world. Let no one shake his head and say it is not true. It is true. Yet both of those wars were won largely through the contribution in lives, money, equipment, and spirit of free people under free government and practicing free enterprise.

The simple facts in those few words prove that we have failed in our mission for freedom and peace in each instance. We failed because we depended upon bayonets to make people free. Then we

failed again because we thought we could buy freedom with money. Free Americans poured their hearts and their dollars out to the people of war-ravaged Poland during the war and after the war, but they are not free. Hundreds of millions of dollars, with the best wishes and hopes of free Americans, flowed into despondent Greece. But today Greece is fighting for her life against dictatorship. More millions and billions of the dollars of freedom were scattered like snowflakes over all Europe, but, Mr. President, I ask you: Where in Europe is there a free man today as the result of either our bayonets or our dollars?

America did not win freedom in the blood of the Revolutionary War. It kept the freedom it had. The freedom of America was born with the spirit of the Pilgrims when they boarded their ships of doubt and set out on a sea of mystery. That is how freedom is born. People must first have the will to be free, and that will to be free can come only from once having been free.

We cannot buy the freedom of western Europe with dollars, but we can inspire the will of those people to be free by the method in which those dollars are used. We did not peddle freedom through Europe when we peddled 20 billions of dollars worth of badly needed supplies to the hungry and cold after the war. That \$20,000,000,000 was doled out in food and other material, just as Marshal Stalin doles out what he wants his people to have.

Our own people had a taste of the same thing in our own country when our leadership attempted to solve problems with dollars. They did not like it. But our people had had freedom, and they returned to their free ways.

We cannot extinguish the fire of communism and state socialism by fighting it with the same kind of fire. If we cannot stop the spread of communism with the spirit of freedom our cause is lost. I think we can, but we shall never know until we try it. That is the reason I would favor a change in the method proposed by the senior Senator from Michigan for the recovery of Europe.

The nations of western Europe who are looking to us for help are doing so because they respect our ability to help. That ability, they must know, came through our American system. If we do not practice that same system in giving them aid, how can the people of those nations understand the difference which makes our help possible?

We are quick to recognize that Mr. Stalin promptly teaches the system of communism in the countries which he thinks have called upon the Soviet for help. Even the able senior Senator from Michigan recognized that fact when, in his stirring message to the Senate on March 1, he said:

Today Czechoslovakia joins only such enterprise as Moscow may direct.

I hasten to inject here that Stalin's reliance is on the force of military pressure, which we abhor. I contemplate the same result as that attained by Mr. Stalin, but through the friendly cooperation by those nations which we have been

led to believe prefer democracy to autocracy.

It is my conviction that that great American, Secretary Marshall, had the American principles in mind when, during a talk in Boston, he made his now famous suggestion for European aid. He said at that time that there should be some agreement on the part of those nations as to the part they themselves will take in a recovery program initiated by us. He also said the program should be a joint one.

Mr. President, the amendment in the nature of a substitute offered by me contains the American principles which I am sure Mr. Marshall intended should be included. He has commented on this bill in a letter to me in such a manner as to indicate his appreciation of those principles.

The substitute removes the governments of all nations participating in the recovery program as far from actual dominance of the program as can be accomplished under such critical conditions. Here is where the first principle of Americanism is applied. The possibility of dictatorial control of the program is reduced to a minimum at the very outset and is removed entirely from the remainder of the system of recovery.

To evolve the recovery plan proposed in the substitute measure, we turned to an American institution that has been tried and is successful, the Reconstruction Finance Corporation. When our own economy sagged dangerously many years back, we found the need for an addition to our free enterprise system. We did not resort to the socialistic method of direct State subsidy. The free-enterprise process was retained through the simple procedure of establishing a private corporation in which the Government could acquire stock.

This made the necessary financial assistance available to revive business on a business basis. We naturally admit the Government helped in so doing, but we also can argue that the Reconstruction Finance Corporation is a product of free enterprise, since it can sue and be sued and it can make a profit or sustain a loss. Its loans to business or political subdivisions are on the same formula as bank loans for the same purposes. It charges interest and forecloses on loans in the same manner as banks. The Reconstruction Finance Corporation proved to be the needed link in the chain of free enterprise.

In the amendment offered as a substitute for the bill we propose to increase the loaning power of the RFC to \$5,000,000,000 and to create an international division of the RFC. Under the powers proposed for the international division, stock may be purchased by the United States RFC in reconstruction finance corporations to be created in those nations which wish to participate in the plan for recovery.

It should also be pointed out that the substitute bill is so drafted as to permit the same system to be used in the economic-recovery assistance for any other country which may seek our help on these businesslike conditions. The international division of our RFC would

be empowered with the authority to set up the provisions to be met by the foreign RFC's before participation would be approved by our RFC.

These provisions would include such requirements as determination of essential industries to be assisted, policies on loans and repayments, amount and types of collateral required, and procedures to be followed by the board of directors. Having met these provisions, the United States RFC's international division would then be empowered with authority to purchase the preferred stock of the qualified foreign RFC.

The participating nation would be required to purchase the common stock of its own RFC. The outstanding preferred and common stock would be in equal shares, thus establishing a matched-dollar condition between the United States and the participating nation.

Preferred stock purchases by the international division of our RFC would be made with drafts against the United States Treasury and would be made in continuing purchases as long as the foreign RFC maintained a policy in compliance with the original agreement.

This provision of the substitute for Senate bill 2202 is a safeguard against the failure of the participating nation in full cooperation toward recovery. Stock purchases for additional loans will continue so long as the international division of our RFC shall feel the participating nation is doing its full part and so long as the participating nation shall purchase an equal share of the common stock.

Credits against dollar holdings in this country would be used by the participating nation for the purchase of common stock. This credit use of those foreign investments and holdings here would not disturb the actual investments as long as recovery through successful loans should be in process.

It should also be noted that such plan for dollar matching will help materially to smoke out some of the many millions of dollars now hoarded and hidden by the nationals of nations which are seeking recovery aid.

Inquiry has been made as to the attitude we might have toward government force by European nations to bring forth these hoarded funds.

Mr. President, we all recognize emergencies. We were asked some years ago to turn in our gold in exchange for currency. We all remember that. We did, and we remained a free nation.

Let us return to the explanation of this cooperative and free enterprise way of helping the world to recover. The foreign RFC would have a board of directors of seven members, four representing the participating nation and three representing the United States RFC. As once one might well ask if that division of representation might not place us at a disadvantage. We should feel that our representatives on the board would be only in the form of watchdogs and that the participating nation be given the chance to practice the free enterprise we hope to teach them.

Since the responsibility for continued cooperation on our part rests with the

sound judgment of the four directors of the participating nation, we could expect considerable care on their part.

With the two RFC's now set to operate, we find an American institution and an American principle at work.

The proposed substitute then provides that short- and long-term loans can be made by the foreign RFC in exactly the same manner as has been done for years by our own RFC.

Since foreign industry might be considered in a condition where loan collateral might be difficult to determine, we leave the substitute bill flexible enough to permit the international RFC to determine the loan requirements.

I might point out, Mr. President, that many successful businesses and industries in this great Nation have been built from what originally could have been considered extreme risks by the loaning organization. In America we recognize the ability and aggressiveness of a businessman as a collateral of far greater value in many cases than physical assets. With the world market demanding so many things which foreign industry can provide, I am reasonably certain that careful judgment by the foreign RFC boards will result in good loans.

During the drafting of the proposed substitute we were asked if the loans would be repaid in the currency of the participating nation. This should not be a problem. In fact, such a condition would tend to hasten stabilization of the currency in the participating nation since that nation's own American dollar credits will dwindle otherwise. Furthermore, vital materials needed for stock piling here could be purchased from the participating nation with its own currency.

But let us now return to the foreign RFC as it starts doing business as provided under the substitute measure. The foreign businessman, armed with a letter of American dollar credit, moves into the world market to purchase the materials or tools he needs to resume production. Here we have full-scale private enterprise at work. He will buy shrewdly in order to obtain the most and best for his money. This will stabilize the market.

It is at this point that the substitute differs greatly from Senate bill 2202 as reported by the senior Senator from Michigan.

In the bill which the Senate has before it as representing the Marshall plan a Government administrator in this country would make mass purchases with Government funds, which he then would turn over to European governments.

Under Senate bill 2202, the so-called Marshall plan bill, the European governments would dispose of those materials and goods in a typical socialistic method determined by those governments.

Whereas the Marshall plan bill is based on government-to-government procedure, the substitute is based on the private-enterprise-to-private-enterprise processes symbolic of the American system.

With production again rolling in Europe's factories the loans would be repaid to create a revolving fund from which more loans would be made.

Under the plan provided in the substitute, the RFC system of business loans would continue for 10 years, after which no more loans could be made until the preferred stock were retired. This provision would not prevent the European nation from continuing its own RFC after our stock had been retired. The system would give Europe a period of recovery assistance more than twice as long as that estimated in the Marshall plan and at a cost to the American taxpayer which, at worst, would be far less than the cost under the Marshall plan.

More important than the danger of some loss of money, more important than the advantage of a longer period of assistance, and more important than the actual tempo of recovery would be the fact that American principles would be used and practiced in our aid to foreign nations for the first time.

But, Mr. President, on a strictly business basis—and I feel that the American taxpayer is entitled to have this matter judged at least to some extent on a strictly business basis—we would be approaching the problem with a view toward greatest dollar benefit and greatest dollar return possibility.

By increasing the RFC loaning authority to \$5,000,000,000 we make \$3,000,000,000 available to the international division of the RFC for investment in international recovery.

On a matched-dollar basis a fund of \$6,000,000,000 would be created, half of which, of course, is foreign credit against foreign investments in this Nation.

We believe the revolving fund potential of the foreign RFC's would make this amount sufficient not only for the 16 western European nations which have already indicated participation in cooperative assistance, but would also provide funds to assist other nations needing similar help, including western Germany.

This portion of the proposed substitute does not cover the phase of relief of the hungry and cold people of Europe. I shall discuss that portion of the substitute bill very soon. We attempt to deal with these two phases of the problem separately, as they should be treated. The RFC system is to be used only in connection with the long-range economic recovery phase of European and international assistance.

For further discussion of that phase, let us look for a minute into the problem of European finances. Practically every nation mentioned as a probable participant in the Marshall plan has dollar holdings in this country sufficient to meet the matched-dollar program under this bill. When the holdings of nationals of those nations are considered, every nation is equipped to meet the requirements, with the possible exception of Italy.

Are we asking too much when we ask that those nations have the same confidence in their recovery that they ask us to have? Are we asking too much when we ask that those nations take the same risks in their recovery that they ask the American taxpayer to take? Is such a financial burden any greater to those nations than the addition of seventeen to

twenty billions of dollars to our national debt would be to our taxpayers?

Now, Mr. President, let us talk for a moment about the nations which might not have the dollar holdings which would permit participation in this plan. I am aware of but two at present, namely, Italy and China. I believe that in such instances where nations apply for help outside the RFC plan they should be dealt with under special acts. In this way the American taxpayer would have the chance to know the facts concerning cases of outright aid. Proper investigations would determine the worthiness of the nation for full-scale help.

Under the Marshall plan, where administrative judgment determines the distribution of the assistance, the ability of a nation to share the cost will be the business only of the administrator.

It is also our opinion that the RFC plan will be kept under better congressional control than will the Marshall plan.

Since it is in the extreme interest of those opposing the spread of communism and state socialism internationally that a union of nations be formed through the reduction of trade barriers, I should like to interpose here the opinion that nothing in the substitute bill would interfere or prevent such an action. In fact, it is the opinion of qualified persons who have studied the plan that it will promote such a union.

The RFC plan as proposed in the substitute bill will afford private-enterprise interests of one nation to do business directly with private enterprise in another nation participating in the plan, thereby making mutual assistance an important factor in the success of both nations.

Before proceeding into the relief phase of the European problem as covered by the substitute bill, I want to point out that no provision is contained in this bill or is contemplated in any companion measure for the chartering of ships to foreign flags. A thorough study of this matter indicated that great harm to American shipping could be wrought by such a scheme. We believe that the rehabilitation of shipping in participating nations should be brought about under the RFC loan plan. Loans would be available for the building or buying of ships.

Now let us review the provisions in the substitute measure for direct relief.

First, I want to point out that we have provided for relief to Marshall-plan countries, and to others as well. An outright grant of \$2,000,000,000 to feed the hungry, clothe the ill-clad and warm the cold is set up in this section of the bill. It is planned to take this amount from the surplus funds of fiscal year 1948 which would not be felt in future tax requirements against our people.

We believe that the direct-relief needs should be separated from the recovery funds—one amount should not be hidden behind the other.

As has been said so many times on this floor and elsewhere, the American people are generous to the extreme. They do not shirk from the duty of humanitarian obligations. Every report of the

needs of people in stricken nations was carefully studied in arriving at the \$2,-000,000,000 figure. This amount, we believe, will also be sufficient for direct relief which is already anticipated for China, Korea, and Greece, but it must be remembered that this fund should play no part in economic recovery.

The substitute bill, for relief purposes, follows very closely the distribution plan under the full bill of the senior Senator from Michigan. We felt that direct relief, with its items definitely set out in the bill, could more readily be handled in the government-directed fashion. This system is not un-American. In fact, it is very much American. Our poor relief in this Nation is handled largely in this fashion and is supplemented by civic organizations.

I believe it will be found, Mr. President, that by the separation of direct relief from recovery we will have a definite check on the expenditures for this purpose. The council provided in the Marshall plan bill is retained in the substitute bill for relief purposes.

There is no provision in the substitute bill to control exports from this country since the power to control exports of vital materials is already vested in the proper offices.

We are often guilty of ignoring laws we have already passed. This is best exhibited in this European recovery problem by the failure of Congress to recognize the purposes for which it helped to create the Export-Import Bank and the International Monetary Fund.

At this point I want to explain that the third phase of the European recovery problem, the stabilization of currency, is left out of the substitute bill since the Monetary Fund is already set up for that purpose and should be made to function. Of course, as explained earlier, the use of foreign investments as collateral for European economic recovery will go a long way toward solution of the stabilization problem.

Mr. President, I believe this approach toward world economic recovery and a lasting peace is a more secure method, and, in addition to its American principles, will be more within our own economic ability to meet the test.

Sponsors of the Marshall plan as proposed in Senate bill 2202 have stressed the point that Europe's needs could be met without a damaging strain on our economy since only 5 percent of our annual production would be needed. The point has not been stressed, though, that the 5 percent would come from that production of which we already are in short supply.

We must also take into consideration that to meet the full financial impact of recovery in those nations which have indicated participation, we are asking the American taxpayer to carry an unprecedented burden while foreign investments in our country are left untouched. It is pretty much like asking a man to mortgage his home so that he can loan the money to bet on a horse race.

Above all this, Mr. President, is the existing feeling that we must be prepared for certain eventualities in the

event this plan for a lasting peace is not successful. In other words, we are possessed with the feeling that while we smoke the peace pipe we had better be loading our guns. This is another little matter the American taxpayer has in his thoughts today.

By coincidence, the day the senior Senator from Michigan addressed the Senate on the Marshall plan form of European aid, the Congressional Air Policy Board issued its report revealing a contended need for vast arms expenditures in the next few years.

I dislike the thought that the air-policy report and the Marshall plan or any other form of European aid have anything at all in common, but if we are to be honest with our consciences we must admit that they have very much in common. Our hopes for a free and peaceful world may rest in one or the other, or both. Since we admit the risk in one we must necessarily hope for the assurance in the other. If we must back up our moves for peace with a show of strength, then let us make those moves on the basis of the Americanism in which we so strongly believe.

I, for one, am tired of fighting wars for the purpose of saving foreign philosophies. I am tired, too, of draining the resources of our system of government to support foreign forms of isms in which we have no interest.

This cannot be termed isolationism. I am and have been ready to meet our international obligations as a world leader, but I believe it is high time that we put those obligations on an American footing.

Only a few short years ago cries came from every quarter that if we did not enter the war a man named Hitler would conquer Europe, England, Asia, and north Africa and then he would conquer us. Do not shake your heads and say it is not true. Senators know it to be true.

Now the cries are coming again. This time they are saying that if we do not do something about it a man named Stalin will conquer Europe, England, Asia, and north Africa and then conquer us.

I am for stopping this bully, too, but I would like to see it done by hitting him right square in the teeth with a good solid punch of Americanism that would scatter a bit of freedom around this war-tattered globe. Let us hit him with American means, hit him with the private-enterprise system. Let us hit him with our type and kind of government. Let us not imitate state socialism and communism in fighting Mr. Stalin.

In his speech on March 1, the able senior Senator from Michigan said he believed dynamic America is ready to carry on. He is right. Dynamic America is always ready to carry on, but Mr. President, I believe that America will really be dynamic when it is supporting American principles.

Mr. President, in closing I wish to simply sum up as briefly as I can what the substitute bill would do.

The substitute bill would in no way delay the early need for relief in Europe, since the relief phase of the bill follows

the provisions in S. 2202. No Senator can rise on the floor and truthfully say it would interfere one iota with the relief provided for in the pending measure, because the proposed substitute retains that section of the original bill which permits the Administrator appointed under the bill to proceed in a flexible way and to proceed with speed.

The substitute bill differs from S. 2202 in that it separates relief from recovery and fixes a definite amount of \$2,000,000,000 for relief and limits the Administrator to the determination and supervision of the relief phase only.

The substitute bill extends its relief to China, Korea, and Greece, or any other needy nation in addition to the European nations included in the Marshall plan.

The substitute bill differs from S. 2202 in the long-range recovery program for rehabilitation of agriculture and industry.

That is the difference between the two bills. In the substitute bill we retain the grants and gifts. We only change the bill in respect to long-range recovery.

The substitute bill includes all nations which wish to participate in the cooperative plan for that program and does not limit the plan to only those nations named in the Marshall plan.

It uses the Reconstruction Finance Corporation—a proven agency—as the agency through which we deal with the foreign recovery.

It provides for setting up European RFC's by the participating nations.

It provides for the matching of funds through the purchase of equivalent shares of stock in the foreign RFC's by the United States RFC and the foreign nation or its nationals.

It asks participating nations to use dollar credits against their dollar holdings to share in the cost of the recovery program.

It reduces the need for funds by creating a revolving fund for recovery loans.

The substitute bill requires a total of \$5,000,000,000 for relief and recovery; three billion for recovery, which would be an authorized loan to the RFC and not an appropriation, and two billion for relief, which would be taken from surplus funds and not direct taxation. Therefore, Mr. President, the immediate cost to the taxpayers under my plan would be \$2,000,000,000, not \$4,000,000,000, not \$5,000,000,000, because it would amend the Reconstruction Finance Corporation Act to permit the Corporation to borrow from the Federal Treasury up to \$3,000,000,000.

The substitute bill would require far less money and provide a recovery plan for 10 years instead of 5, as provided in the Marshall plan calling for \$17,000,000,000 over 4 or 5 years.

The substitute bill would in no way impinge upon the constitutional rights of the President and the Secretary of State.

The substitute bill would apply American principles to European long-range recovery.

Mr. President, I shall not ask unanimous consent that the Senate vote on

the substitute measure at this time, but I shall offer it in due course. I am most hopeful that Senators will discuss the plan covered by it. I appreciate that the able Senator from Michigan [Mr. VANDENBERG], the chairman of the Foreign Relations Committee, has labored long over the Marshall plan bill. I have no particular criticism of that bill, except that I want to place the long-range recovery plan, if possible, on a private industry basis. I want to take it out of the hands, so far as possible, of our own Government and of the governments of the 16 nations participating. I believe the plan I have submitted to be a sound one. It will in no way interfere with quick action on the part of the Administrator, as called for in the committee bill plan to proceed immediately to help 16 nations.

I am hopeful Senators will earnestly study my proposal. I regret I did not conceive and write the substitute bill some 2 or 3 months ago. I am sorry the committee was unable to consider it. I was unable to appear before the Senate Foreign Relations Committee with the plan, because it was not prepared in time. I simply did not have the bill prepared at that time. I did not conceive of the idea in time to submit it to the committee. I hope the Senate, however, will debate my substitute and consider it carefully, because I believe it to be an American pattern that might well be used not only at this time but in years to come to help foreign countries.

Mr. VANDENBERG. Mr. President, first I want to present my very warm personal compliments to my distinguished friend the Senator from Indiana, and to tell him that I have the very greatest respect for the thoroughly constructive work which he has obviously done with great pains and at great length upon this measure. His substitute represents a completely different approach to the question of European recovery through international cooperation and self-help. It is a very interesting approach. It is an approach which undoubtedly has a great deal to commend it, and I want to say again, before I make any further comment, that I think the Senator from Indiana is entitled to great credit for the constructive effort he has made in presenting his substitute and in approaching the entire subject from a thoroughly constructive standpoint.

Mr. President, the fact remains that my able friend from Indiana has brought us a totally new concept. While he has complimented the committee bill by borrowing much of its text, the fact remains that he is asking the Senate to agree to tear up the fundamental approach which has been built up through 8 months of the most intimate and careful study that a public problem can be given. He is asking us to abandon the recommendations of the only group in western Europe which offers us any hope of coordination and stability. He is asking us to abandon the recommendations of the executive departments, which are documented by the most complete studies I have ever seen in connection with a

public question. He is asking us to abandon the viewpoint of the Harriman commission, which in my opinion is the most representative group of highly competent and seasoned Americans who ever gathered together to give their devoted attention to a great public question.

He is asking us to abandon the work of the Senate Foreign Relations Committee over a period of 4 long weeks of hearings and 2 weeks of committee consideration. He is asking us to abandon the basis of the entire Senate debate up to date.

He has a right to do that, because in doing it he has brought forward his own substitute and laid it on the table. That is a thoroughly constructive approach with which I cannot quarrel. But I am saying to the Senate and to my able friend from Indiana that I do not see how I can debate his substitute with him because, no matter what its values, I do not understand how it is a possibility for the Senate to abandon all the bases upon which we have been proceeding since last July in the development of a program which is intended to meet a situation which clearly comes to crisis within the next 2 or 3 or 4 weeks, and which, if it is to be met at all, must be met promptly.

I do not see how it is a physical possibility for the Senate to give my able friend's substitute the attention which I freely concede it richly deserves. He has explained that he found it impossible to present his substitute even to the Senate Foreign Relations Committee for its consideration. I am sorry that he was unable to do so. I can well understand how the pressure of other matters prevented it. Not even the committee has had an opportunity to survey the tremendously intricate problem which is involved in the substitute which he presents.

Even in the consideration of the committee bill, Mr. President, which I repeat has 8 months of study behind it and an 8-month public record of the widest possible discussion, in spite of that fact, we have found during the past 10 days that words and phrases have been subjected to microscopic examination because of the anxiety of the Senate to be perfectly sure that there is nothing involved which is not obvious on the face of the language; to be perfectly sure that the commitments we are taking mean what they say, and that they are adequate. We have faced the experience of long debate over the import of sentences and paragraphs. It is perfectly obvious, it seems to me, as a sheer, unavoidable physical fact, that it is out of the question for us to give that sort of attention to the substitute submitted by the able Senator from Indiana.

Therefore, much as I regret it—and again saying to him that he has my profoundest respect for the work he has done upon the substitute and for the spirit in which he has approached the entire enterprise—I am bound to say to him that I do not see how it is possible for the Senate to accept such a substitute at the eleventh hour of a debate

which cannot wait much longer for the hour of 12 to strike.

Therefore, I say to my friend from Indiana that, inasmuch as it is the general expectation that this debate will be concluded and the bill will be voted up or down by Saturday night of this week, I respectfully suggest to him that we might as well submit his substitute to a vote of the Senate now, in the immediate presence of the very able presentation which the Senator has made. I hope that that course will meet with the approval of the Senator from Indiana.

Mr. CAPEHART. Mr. President, I shall not do so, of course, but I might well say that inasmuch as the House Committee on Foreign Affairs has not yet reported a bill, and inasmuch as such action might well take many days, and possibly several weeks, a motion might be in order by me—which I shall not make—to recommit the entire bill to the committee, in order that it might take some time to study the proposal in which I am so sincerely interested. Possibly the committee would have sufficient time to study it and return it to the floor of the Senate for a vote as quickly as the House will pass the so-called Marshall bill.

Mr. President, I cannot agree with the able Senator from Michigan that there is sufficient difference between his bill and mine to warrant the statement that my substitute could not be considered by this body. We have retained in the substitute the over-all Administrator. In fact, we have retained 100 percent of his bill so far as it has to do with relief, meaning the moneys and the materials which we are to give away. If we should strike out the RFC sections of my substitute bill and pass it, we would have practically the committee bill.

The only difference between the two bills is that in the bill of the committee the Administrator—one man—handles both relief and the long-range recovery program. Under my bill the Administrator handles all the relief, just as he does in the committee bill; and he likewise cooperates and works with the RFC in handling the long-range plan. Under my bill we say to the Administrator, "Here is \$2,000,000,000"—perhaps it should be more or less. I shall not argue that point at the moment. I am talking about a principle. We say, "Here is \$2,000,000,000. Proceed and put the plan into effect. Proceed to do what you can immediately in Italy, prior to the elections on April 18. Take this money and stop communism and socialism, and do the things we want you to do, which are called for in the bill. But we are going to follow behind you, Mr. Administrator, with a good old American institution, the RFC, which we used in our Nation back in 1932 and 1933 when our Nation, too, had economic problems and troubles. We are going to follow behind you. We are going to try to build, through the RFC, a stable industry in these 16 nations. We shall try to do it in the American private-enterprise way. We are not going to try to help you bring about European recovery over a long period of time by means of anything but our American system."

That seems to me to be good, common horse sense. I do not believe we should say to one man, "You are to handle relief, and also the business arrangements." Relief is an entirely different problem, as compared with business. A man who is equipped to do a good job with relief may not be equipped to do a good job in business. I think the two should be separated. I cannot quite agree with the able Senator from Michigan. I see his viewpoint, and I am genuinely sorry I was unable to present this plan to the committee.

However, Mr. President, I still do not believe it is too late to consider this proposal, because when we enter upon this program it will continue for many years. History does not happen in 1 day or in 1 week or 1 year; history goes on for generations and generations. We are establishing a foreign policy here. We are mixing up relief and business in that connection. I do not believe they should be mixed up. I do not believe we should proceed in that way.

It may be that some changes should be made in the plan I have proposed; in fact, I am certain some should be. I am not sure that I have arrived at the correct amounts, in proposing \$2,000,000,000 for relief purposes and giving the RFC the right to borrow up to \$3,000,000,000. I am not certain about that. I am sure that the President and the Secretary of State and others who are better informed on these matters than I am should have the right to pass on those questions.

I am pleading for thorough consideration of this proposal. I am pleading that we follow through at least in part in respect to our aid bill, and try to educate the people of the 16 foreign nations as to the kind of system we have in the United States and how we do things. I do not see how we shall ever solve the problems of Europe until the people of Europe adopt our system.

I believe that the able Senator from Michigan will agree with me in regard to the statement I now make about his bill: Under it we shall set up an administrator, and we shall authorize the administrator to purchase in our country billions of dollars' worth of materials, which our Government will own, and then ship those billions of dollars' worth of materials to the 16 nations. They, in turn, will take title to them, and will distribute them; but not in what we know as the American way. To the contrary, they will be distributed by the governments. I dislike very much to inject this particular phase of the matter into the discussion, but I am sure the able Senator from Michigan will not object. He might well be correct in his contention that the bill which Mr. Marshall proposes and which he endorses is better than the one I propose. But I ask this question: If we place this money and this material in the hands of those 16 nations, and permit them to do as they see fit with it, the final word as to the handling of that money and material will rest with the top-level government officials in those countries, although, of course, we understand that our administrator and our representatives over there will help them

earmark the projects, and will say, for instance, "You cannot use it for this project, but you can use it for that one." I say that even though the goods and the money come from the United States, if they are used in that way, they will have as their end result a psychological effect upon the Frenchmen and Italians that will be almost the same as if the goods and money came from Communist Russia, because the principle of distributing and handling them will be about the same. They will be handled on the basis of government to government. Perhaps there is no other way in which to do it, Mr. President. I do not know. But I dislike to see the United States, the greatest nation in the world, with a form of government that has given our people more of everything than any other form of government known has been able to provide for its people, a government that has placed us in a position at this particular time to have dollars and materials with which to help other nations—I dislike very much to see us proceed except on some basis that will teach and show the people of Europe that they, too, might enjoy the same sort of government and the same sort of economy and the same high standard of living in the same way that we enjoy them.

So I should like to have this proposal made a part of the bill. I feel so deeply on this subject that I think I would be willing to say to the able Senator from Michigan, "Let us set up a little RFC, if you please. Let us make it a part of the bill, but not a part that the Europeans would have to accept. Let us so frame the bill as to say to them, in effect, 'You foreign nations do not have to accept this part of the proposal if you do not wish to. We are going on with the bill as written; but we have added this extra section, and if any of you would like to have us move in on a share-and-share-alike basis, using our RFC, a private corporation, we shall be happy to have you do so.'"

Mr. President, let us give them the opportunity, if we can.

Mr. BALDWIN. Mr. President, will the Senator yield to me?

The PRESIDING OFFICER (Mr. SALTONSTALL in the chair). Does the Senator from Indiana yield to the Senator from Connecticut?

Mr. CAPEHART. I am happy to yield to the Senator.

Mr. BALDWIN. Mr. President, I wish to say that I, a junior Senator, feel very proud to be in the Senate with a man of such great ability and such distinguished capacity and broad experience as the distinguished Senator from Indiana. As a Member of the Senate, I wish to thank him for the splendid contribution he has made to the thinking on this vitally important subject.

I should like to ask him whether there would be anything inconsistent if we were to pass the pending bill, as reported by the committee, and then have the Senator's bill referred to the Foreign Relations Committee for consideration.

My thought is that under the bill which has been reported by the committee, we shall have a congressional committee to watch the operation of the

proposed procedure and to gage the effects of the operation of the committee bill. However, if the bill which has been reported by the committee is not a success, it may very well be that in the future we shall wish to make some changes, some different arrangements of some kind.

So it seems to me that it would not be inconsistent with passing the pending bill to have the Senator's bill referred to the committee for further study and, possibly in the future, adopt it in part, along with the present program. Would that be possible?

Mr. CAPEHART. Mr. President, certainly it would be possible; and if the Senate is unable to adopt my proposal at the moment, I hope that what the Senator from Connecticut has suggested will happen. If it is impossible to adopt my plan at this late hour—and I am well aware that the hour is late—I certainly hope that it will be considered at some future time.

Mr. VANDENBERG. Mr. President, may I comment on the suggestion made by the Senator from Connecticut?

Mr. CAPEHART. Certainly.

Mr. VANDENBERG. There is a great deal in what the Senator from Connecticut suggests, and it is in line with a further comment which I was going to offer to my good friend the Senator from Indiana.

It is the theory of the Senator from Michigan in presenting this bill that we are dealing almost exclusively with speculations, at the present time. We do not know what are the realities we are going to confront in an effort to arrive at a successful objective in line with our hopes.

It is for that reason that the senior Senator from Michigan insisted upon cutting the time of the initial appropriation back to 12 months, so that the whole subject matter could be forced to a realistic survey at the earliest possible moment, namely, January of next year. Immediately when the new Congress meets it will confront the necessity of canvassing the entire subject on a basis at that time of experience and reality. We shall be freed of many of what at best are only the educated guesses that we could make today. We shall know by that time how the Administrator is satisfying our hopes. We shall by that time have the benefit of the Administrator's experience and what should be his high-priority recommendations. We shall know by that time what the crops in Europe will have been this year, and that in turn could be a factor of tremendous importance. We shall know to what extent the 16 western European countries are progressing in the direction of coordination and at least partial unification. We shall know by that time to what extent we have been able to consolidate at least three of the zones in western Germany, which, in the final analysis, is at the very core of the whole problem.

In other words, in the thinking of the Senator from Michigan, what we are doing at the moment is to launch hopefully, on the basis of the most thorough study that was ever given to any public

problem in my time, the preliminary effort to achieve an objective to which we are all devoted. We are launching it on the expectation that it will confront its real audit for the first time next January, when the second year's appropriation must be made and when a study of the realities will be possible.

Mr. President, in line with the suggestion of the able Senator from Connecticut, if the Senator's substitute were referred to the Senate Foreign Relations Committee, I could assure him that whenever we could reach it, which will be after we have gotten through with the immediately pressing proposals that are pending, we could give it not only our own study, but we could get the reactions upon it that are so necessary from the related departments of government, which have the technical skills and the technical information necessary to deal with the technical phases involved.

I should think that when the real audit comes, which I repeat, in the prospectus of the Senator from Michigan, is only 9 months off, we should have the benefit of a thorough study of the Senator's very constructive idea. I think, if I may say so, Mr. President, that the Senator would be much happier if he could be assured of that sort of study, rather than, on a basis which I know, in the candor that always marks his attitude, he would concede is scarcely fair to have the immediate judgment of the Senate on a matter of this utterly technical ramification, in many of its aspects, by voting "yes" or "no" upon a proposal which, I repeat, I know he will freely concede we cannot possibly explore adequately within the relatively brief moments at our disposal.

Mr. CAPEHART. Mr. President, is it the able Senator's thought that possibly during the next 9 months most of the Administrator's efforts will be on relief, and not on long-range recovery plans?

Mr. VANDENBERG. It is the Senator's view that relief will inevitably dominate the program most of the way during the 9 months; that the development of recovery programs at the most can only become in many instances tentative during the 9 months, because the Administrator must first set up his entire instrumentality of action. Bilateral contracts must be written, multilateral contracts must be written, missions must be created. I do not see how it is physically possible to go very far with the recovery program in a substantial way until we are pretty well approaching the second year.

Mr. CAPEHART. Mr. President, the danger that I see is this: I have always felt that a thing which was wrong in principle would not succeed. I have no quarrel with the gift phase of the so-called Marshall plan. My quarrel is with the long-range recovery aspect of it, a thing that goes on and on for years. What I am fearful of is that during the 9-month period we shall enter into bilateral and multilateral agreements; that we shall start; and that, at no stage of the negotiations of those agreements—the Senator might well argue to the contrary; he and I have discussed it—are we injecting what I call the American principle.

What I should like to do and what I believe the plan would do, is this: The

RFC in 16 nations would be doing business with tens of thousands of small-business men. It would be encouraging little business and big business; it would be encouraging the people in those 16 nations, recipients of our aid, by a touch of the private-enterprise system which has been so successful in this Nation.

For example, I look back on the British loan. We loaned Britain \$3,750,000,000. It is all gone. I shall not take the time to argue how they spent it, but it is gone. They are back for another loan. I ask this question: Had we had the foresight at that time to say, "Yes, we will put up \$3,750,000,000 in a British RFC; you put up \$3,750,000,000, making a total of \$7,000,000,000; we will operate the British RFC on the same basis as that on which our own RFC is operated," I say to you, Mr. President, that the problem would be different in England today. If they had taken the money and used it as the RFC in America has used the money it has had in the past 16 years, the problem in England would be different today.

What happened? We gave them \$3,750,000,000. We gave it to the government, the socialistic labor government, Mr. President, if you please. They went forth and spent it, and it is all gone. They have very little if anything to show for it. In England today they are further away from the private enterprise system than they were prior to the time we loaned them the money. They are going deeper into so-called state socialism instead of getting away from it. That is the fear I have.

I appreciate the difficulty of passing upon a new proposal on the floor of the Senate, but I believe that we are making a mistake. I intend no criticism of the able Senator from Michigan, because he, as chairman of the Foreign Relations Committee, must deal with situations as they exist, not as he would like them to exist. That is the problem of the Congress at the moment. We are called upon to deal with situations as they exist, not as we should like to have them exist, situations that might be entirely different if good common horse sense had been used over the past 30 years.

Mr. BALDWIN. Mr. President, will the Senator from Indiana yield?

Mr. CAPEHART. I yield.

Mr. BALDWIN. Mr. President, it seems to me that what the Senator has just said, that we are dealing with situations as they exist, is completely true. One of the situations which will exist, and one which it seems to me the committee bill very adequately meets, and which it seems to me the Senator's proposal does not meet, is the fact that in the reconstruction part of the program we are going to have to deal in Europe not only with individual businessmen and individual enterprises and industries, privately owned, in part, but we are also going to have to deal with enterprises that are publicly owned, owned by the government, railroads, for example, and public utilities, such as the coal mines. We shall have to meet that situation.

Mr. CAPEHART. That problem is taken care of under the substitute bill.

It is provided that money may be loaned to existing government-owned utilities and institutions, but not for buying additional governmental facilities or building new governmental facilities. The very matter of which the Senator speaks is taken care of under the RFC phase of the substitute bill.

Mr. BALDWIN. Mr. President, will the Senator yield further?

Mr. CAPEHART. I yield.

Mr. BALDWIN. On that particular phase of the subject we may encounter the question of the legality of an agency of our Government, outside of the State Department, one which is in effect, an agency of the Congress, dealing with a foreign government as such.

Mr. CAPEHART. Mr. President, I should like to answer that point. The RFC would own half of the stock of the French RFC; the French Government would own the other half of the stock. It becomes a private corporation. It can sue and be sued; it can make a profit or lose money, just as can a private corporation. The Government has absolutely no responsibility for it. The Government purchased the stock, but it has no responsibility for it.

Let me refer to the railroad problem. The French Government owns the railroads. Let us assume that the French-owned railroad system, which is a subdivision of the French Government, possibly needs \$100,000,000 for the purchase of new equipment. I do not know as to the exact amount. They would go to the French RFC, of which the United States would own half the stock and the French Government would own the other half of the stock, and borrow \$100,000,000. They would put up collateral and agree to repay the loan. They would borrow the money just as the Baltimore & Ohio Railroad borrowed approximately \$80,000,000 from our own RFC approximately 2 years ago. All except direct relief could be handled by the RFC.

Mr. BALDWIN. Does not the Senator's proposal accomplish by indirection what it seems to me could not be done directly? If the French Government or the British Government could establish a corporation in collaboration with this country, at least half of the corporation would be thoroughly beyond the control and jurisdiction of the United States, and we would have a sort of a two-headed proposition which might lead into great difficulty.

Mr. CAPEHART. Under the private enterprise system we cannot get away from stock interests which have equity rights, the right to vote, and so forth.

Mr. BALDWIN. I may say to the Senator that it is that feature of his program which appeals especially to me, but I am in the position of believing that we are faced with a situation which must be resolved within a very short time by a vote on the bill reported by the committee. I believe the Senator's program has great merit, and I should like to have the opportunity of considering it further.

Mr. CAPEHART. I appreciate that.

Mr. BALDWIN. At the same time I believe the opportunity of considering the Senator's measure further is far outweighed by the immediacy of the situa-

tion which necessitates dealing with the subject as best we can at the earliest possible moment.

Mr. CAPEHART. I might agree with that statement if it were not for the fact that under the substitute bill, so far as relief is concerned, involving \$2,000,000,000 or \$3,000,000,000, the Administrator would proceed, in my opinion, to do the things he has to do within the next 9 months, anyway, because, under the committee bill, he is permitted to make loans, and would use the instrumentality of the Import-Export Bank simply to service the loans. That institution services loans just as a bank makes collections.

Mr. JENNER. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield to my colleague.

Mr. JENNER. Will the senior Senator from Indiana tell me, if he knows, what private industry did in the rehabilitating of Europe after World War I? Does he know how the work was handled at that time? I assume there was a war agency, and I assume that European peoples had to have help. We loaned them billions of dollars. Can the Senator answer that question?

Mr. CAPEHART. I do not know that I am qualified to answer it. They handled it themselves, I presume. They seemed to enjoy quite a long period of prosperity after World War I. That was true of Germany and of other nations.

Mr. JENNER. As I understand, in the substitute bill the relief features go right along with the Marshall plan bill which is now before the Senate. Is that correct?

Mr. CAPEHART. Yes; 100 percent.

Mr. JENNER. I believe it has been admitted on the floor by the senior Senator from Michigan that so far as the economic aspect, the business-recovery aspect, of the problem is concerned, we shall be well along toward the second year of the Marshall plan before that phase of the pending bill will take effect. Is that the Senator's understanding?

Mr. CAPEHART. I think the very nature of the problem involved and the time required to pass upon loans and to transact normal business would indicate that it will require 8 or 9 months.

Mr. JENNER. That being true, I do not see what harm could come from considering that phase of the plan at this time.

Mr. CAPEHART. Of course I do not.

Mr. JENNER. It will require several months under the Marshall plan to go into the business-recovery angle. As I understand the statement of the senior Senator from Indiana, under the plan proposed by him there would actually be a saving to the American taxpayers of approximately \$3,300,000,000.

Mr. CAPEHART. If the loans were all good, all eventually repaid, and our Treasury should loan the RFC \$3,000,000,000—it would not be in the form of an appropriation, but merely a loan—and the \$3,000,000,000 were repaid, it would not cost the American taxpayers a penny. The fact is that they might make money on dividends and interest.

Mr. JENNER. Mr. President, will the Senator yield for one other question?

The PRESIDING OFFICER (Mr. IVES in the chair). Does the senior Senator from Indiana yield further to his colleague?

Mr. CAPEHART. I shall be happy to yield.

Mr. JENNER. Possibly I missed in the debate on the floor the great importance attached to having this great piece of legislation completed and finally passed by March 15, or by next Saturday night, to accomplish which we shall have to hold night sessions. Can the Senator explain to me the urgency of the legislation at this time, when the House has not even considered it? It has not been brought to the floor of the House. It will have to be debated in the House. Why should we be put under pressure, "under the gun," with the hour of 12 ready to strike?

Mr. CAPEHART. I am prepared to answer that question. I recognize that the time always arrives when a man must come to a decision. I appreciate the fact that we cannot debate legislation forever. But I should like to caution the Senate on this one matter. I believe I can say, without fear of successful contradiction—and I should be willing to debate the subject on any platform in the United States—that every international scheme into which this Nation has entered during the past 30 years has failed to meet the purpose for which it was intended or has failed to accomplish the objectives which the American people were told it would accomplish.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. CAPEHART. In just a moment. If that be a true statement, then it is time that we adopt a different approach to these problems. Possibly we should approach this problem from a different angle. Possibly we should take a little more time.

I am not saying that the substitute bill I have offered as an amendment is the answer to all the evils of the world or that it is a cure-all. I do not think it is. I think some of the situations in the world today, which have been brought about through no fault of the Senate or any Senator, are almost beyond curing.

The record of our leadership—and I am not thinking of any Senator of the United States, because Senators have not been in the position to dictate the high policies—has been nothing but failure. We have rushed into actions one after the other. We were called back into session last fall for interim aid to the extent of \$700,000,000, and we gave it. We rushed into these things, and I do not know whether it is because we rushed into them that we adopted schemes and policies which have been failures. All I know is that they have failed.

Mr. LODGE. Mr. President, will the Senator from Indiana yield?

Mr. CAPEHART. I am very happy to yield to the Senator from Massachusetts.

Mr. LODGE. Agreeing with the Senator that there has been a great deal of incompetence in the conduct of our foreign relations, and agreeing that there

was a tragic lack of vision at the end of hostilities in World War II, I still think that accuracy should make us recognize that the pending bill has been prepared with a tremendous amount of care. It has been gone into from widely different angles, using the viewpoints of men in every walk of life.

In my judgment, the bill as it stands makes possible the procedures which the Senator from Indiana reaches in his substitute bill. In other words, if the Administrator finds that there is a condition in which it would be practical to set up the type of machinery the Senator from Indiana outlines, he could most certainly do it under the bill as it now stands. But we do not need to restrict him entirely to the method which the Senator from Indiana advocates.

Mr. CAPEHART. Will the Senator permit an interruption at that point?

Mr. LODGE. I desire to make just one more point. So far as haste is concerned, it is not a case of anyone in the Senate trying to crowd anyone else in the Senate. We are being crowded all over the world by the conspiratorial activities which are coming out of Moscow, which none of us control. There is going to be an election in Italy on the 18th of April. The outcome of that election is of interest to us, and competent observers say that the action which we take on the measure before us will have an effect. So it is not that anyone in the Senate is trying to push anyone else in the Senate around. It is that the force of events being stimulated by another great nation is creating conditions in which prompt action is desired.

Mr. JENNER. Mr. President, will my colleague yield in order that I may ask the Senator from Massachusetts a question?

Mr. CAPEHART. I am happy to yield to my colleague.

Mr. JENNER. From the statement of the Senator from Massachusetts I take it that it is the plan of those handling the pending legislation to see that it passes the Senate and House and becomes a law before the Italian election on April 18.

Mr. LODGE. I can speak only for myself; I am only one Senator. I certainly hope it will become law long before the Italian election.

Mr. JENNER. That being true, I wonder if this might not turn into a blackmail racket, that we are always going to be confronted with some emergency some place on the earth—in China, perhaps South America, or at some other spot on the earth—and told that unless we do something, and do it quickly, we are going communistic. Does not the Senator think there is a great danger that we may be blackmailed all over the world if we are to take American dollars and buy off people, buy them off from becoming communistic?

Mr. LODGE. I do not think there is much chance of this country becoming communistic, but I think the bad conditions which exist in the world compel us to make some kind of a decision. If we say we are going to do nothing, that is a decision. Anything we do is a decision. But one thing we certainly cannot do is

to say that foreign nations are merely a nuisance, that they are like a mosquito which comes in under the mosquito net, and we slap at it, but it keeps buzzing back, and is waking us up all the time. We have to face conditions in the world as they are, and I do not like them any more than does the Senator from Indiana. My hope is that we will be able to take steps which will gradually bring about a healthier condition.

Mr. JENNER. Mr. President, will my colleague yield?

Mr. CAPEHART. In a moment. I wish to ask the able Senator from Massachusetts a question. The Senator made the statement a moment ago that the Administrator could do everything under the committee bill we are suggesting in the substitute bill. Does the able Senator from Massachusetts mean that the Administrator, if he desired to do so, could direct our own Reconstruction Finance Corporation to buy half the stock in a Reconstruction Finance Corporation in any one or all of the 16 nations? I hope the Senator's answer will be in the affirmative, but I fear not.

Mr. LODGE. I cannot put my finger on the pertinent section of the bill, but it is my opinion that the Administrator, under the bill, is expected to receive the assistance of all the different departments of the Government.

Mr. CAPEHART. If the Senator is correct in what he has just stated, then what is wrong with a simple amendment to the bill in which we suggest to the Administrator that he immediately explore the possibility of handling all the long-range recovery program through such a plan as we advocate in our substitute?

Mr. BALDWIN. Mr. President, will the Senator yield?

Mr. CAPEHART. I promised to yield to the junior Senator from Indiana.

Mr. LODGE. If the Senator will permit, I do not think such language is necessary.

Mr. JENNER. Returning to the colloquy between the junior Senator from Massachusetts and myself in regard to action in the present, he said hitting mosquitoes here and there was not working, that we had to do something quickly, that some decision must be made. It was my impression that early in this Congress, last year, Congress took action to stop the spread of the very menace of which we are supposedly attempting to bribe Italy not to become a victim on April 18, that is, communism.

Mr. LODGE. We are not going to bribe Italy. There is nothing like that.

Mr. JENNER. A year ago we adopted a doctrine known as the Truman doctrine, and it was said, "We will stop communism wherever it rears its ugly head." We invested \$400,000,000 in Greece and Turkey to accomplish that objective. I assume that doctrine is still intact. I presume we are now to back it by \$275,000,000 more. But when communism rears its ugly head in Finland—and Finland has been one poor little nation that has paid its debt—we do not do anything. We do not even condemn it. When it reared its ugly head in Czechoslovakia week before last we did not do a thing,

we did not even serve a protest. I do not know whether we are going into an arrangement under which we will be blackmailed all over the world.

Mr. LODGE. I always thought that the term Truman doctrine was very unfortunate, and not at all descriptive, and I have never subscribed to that idea at all. I do think that what we have done in Greece and Turkey in the last year has been, on the whole, quite successful. We can get into Greece and Turkey, because the Mediterranean runs in there, and we can get to those countries with our ships. We cannot get into Czechoslovakia and cannot get into Finland, so we confront a practical problem there.

Mr. FLANDERS. Mr. President, will the Senator from Indiana yield?

Mr. CAPEHART. I yield to the Senator from Vermont.

Mr. FLANDERS. I should like to say to the senior Senator from Indiana that I am very much intrigued by his proposal. I am not going to vote for it if it is brought to a vote in the form of a substitute bill. I am very much impressed by the necessity for speed, and I should like to say just a word about that necessity.

In the months I have been a Member of the Congress, I have many times felt the pressure of crisis psychology applied to us by the administration. That is the way in which this administration has worked in order to get legislation through.

In view the present situation, however, as something entirely different. The present crisis is one which we ourselves see, which we ourselves evaluate, which is not suddenly presented to us by the administration as a means of getting particular action and prompt action.

Let me call the attention of the Senator from Indiana to one of the things which troubles me respecting his proposal. I would not vote \$2,000,000,000 for relief. I would only vote sums for relief at this time which are directly connected with recovery, and that is what the pending bill provides. I would call the Senator's attention to the heading of section 40 on page 46 of the committee report which is The Purpose Is Recovery, Not Relief.

In view of that fact I suggest to the Senator from Indiana that, "to implement his idea," to use a favorite phrase, it would be necessary to reconsider the form of his substitute bill so as to tie the recovery part of it into the relief, and have no other relief involved in it. I would not spend money in Korea, I would not spend money in China, I would not spend money in Cambodia, I would not spend money in Baluchistan, I would not spend money in Franz Josef Land. I would only spend under this bill the sums of money for relief that were an integral part of the recovery program. So I would want to insist, if I were going to give any extended measure of support to the Senator's proposal—and I hope in due time to do so—that the question of relief as relief must be removed from his substitute bill. This is one of the points which makes more

careful and extended consideration necessary.

Mr. CAPEHART. Since the Senator considers the situation from that viewpoint he then will be unable to vote for the committee bill, because the committee bill proposes to appropriate \$5,300,000,000, and the Administrator can spend every penny of it if he wants to do so, for relief.

Mr. FLANDERS. But he is required to spend it for relief as an integral part of the recovery program.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. LODGE. The Administrator is supposed, with respect to every single nickel of expenditure, to get an understanding and an agreement from the foreign countries that they will do certain things.

Mr. CAPEHART. That is the idea.

Mr. LODGE. So far as I am concerned, I would be opposed to the Senator's plan to appropriate \$2,000,000,000 for relief. I think we have come to the end of that road. The Senator is much more liberal and open-handed with gifts than I would be. I do not want to expend a single dollar unless the Nation which receives it undertakes to do certain things toward helping its own recovery, so that we will not have to be doing the same thing year after year.

Mr. CAPEHART. Of course the Senator from Massachusetts knows that under the provisions of the substitute bill, as well as the committee bill, not one penny can be spent for relief purposes or recovery purposes until bilateral agreements have been entered into between the nations involved and our Government, through our Secretary of State.

Mr. LODGE. The Senator's substitute bill fixes a definite amount of \$2,000,000,000 for relief.

Mr. CAPEHART. Under it we would appropriate up to \$2,000,000,000.

Mr. LODGE. It provides a definite amount of \$2,000,000,000. That is what the Senator stated in his address.

Mr. CAPEHART. The interesting thing at the moment is that those who would vote for the proposal for \$5,300,000,000, knowing that the Administrator has the right, under the provisions of the bill, to give it all away, to do practically as he pleases with it, now say they would not vote for the proposed \$2,000,000,000; they do not want to provide for any relief, and they will not vote for anything in the way of relief. That is an inconsistent position.

Mr. FLANDERS. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. FLANDERS. I think I can finish what I had begun to say in a moment or two. Relief, purely as relief, is not contemplated in the bill, and I am "agin" it anyway. We cannot afford to do such a thing the world over.

Mr. CAPEHART. Can we afford to provide \$5,300,000,000?

Mr. FLANDERS. We can for recovery.

Mr. CAPEHART. For what?

Mr. FLANDERS. For recovery.

Mr. CAPEHART. Under my plan of recovery it will not cost the taxpayers a penny.

Mr. FLANDERS. Mr. President, I started out by saying that I was very much intrigued by the Senator's proposal.

Mr. CAPEHART. I appreciate the compliment.

Mr. FLANDERS. Under the bill for which the Senator's proposal is a substitute, provision is made for continued surveillance by the two Houses of Congress of the operations of European recovery. Reference of the substitute bill to the Foreign Relations Committee, as I hope will be done, may result in the very valuable suggestions which the Senator has made being incorporated in legislation later on. That in my opinion is not for today. His proposals require further study and, if approved, incorporation into the structure of the organization which the pending bill would set up.

Mr. CAPEHART. Mr. President, I appreciate the many compliments which have been extended me by the many able Senators that my proposal is possibly a splendid idea, but that the time has not arrived to carry it out. I ask the question: Has not the time always arrived to do the right thing?

Mr. WHERRY. Mr. President, will the Senator from Indiana yield so I may propound a question to the able Senator from Massachusetts [Mr. LODGE].

Mr. CAPEHART. I shall be very happy to yield for that purpose.

Mr. WHERRY. I should like to inquire of the distinguished Senator from Massachusetts what section he relies upon when making the statement that there is authority contained in the bill which will permit the set-up of the RFC, as suggested by the distinguished Senator from Indiana?

Mr. LODGE. My quick answer to the Senator from Nebraska is—and it will have to be a quick answer—that on page 18, line 10—

Mr. WHERRY. Subsection 2?

Mr. LODGE. Yes; we find the language:

By utilizing the services and facilities of any department, agency, or establishment of the Government as the President shall direct, or with the consent of the head of such department, agency, or establishment—

And so forth.

Mr. WHERRY. There is nothing in that language which gives him authority to do that.

Mr. LODGE. The language authorizes the—

Mr. WHERRY. The cooperation of the agencies; yes.

Mr. LODGE. Oh, no. The language is "utilizing the services and facilities of any department, agency, or establishment of the Government." That is not cooperation. That is utilization.

Mr. WHERRY. The reason why the subsection was included was to accomplish the purpose which the distinguished Senator suggests?

Mr. LODGE. I think that is one of the things that some of the members of the committee had in mind. This idea of an RFC is very interesting. Some other distinguished citizens have also written about it and talked about it, and I can very well imagine that there will be instances, in the case of certain situa-

tions, where it will be the practical thing to do.

Mr. WHERRY. Let me ask the Senator from Massachusetts if there was ever a legal opinion submitted that would permit the set-up which has been requested by the Senator from Indiana?

Mr. LODGE. I do not know whether there was or whether there was not.

Mr. WHERRY. Did the Senator ever inquire into the matter?

Mr. LODGE. But I do not have a doubt in my mind that if the Administrator decided that that was the most expedient way to deal with the situation in a certain country, he could go ahead under the bill, with the approval of the President, and do so.

Mr. WHERRY. I should like to suggest to the distinguished Senator from Indiana that it is my interpretation of the subsection that it does not grant the legal authority suggested.

Mr. CAPEHART. Mr. President, I should like to ask the able Senator from Michigan a question. Would the Senator from Michigan be willing to amend his bill, in the subsection just read by the Senator from Massachusetts or elsewhere, by specifically and definitely providing that if in the best judgment of the Administrator the RFC method could be used, he would have the right to do so? In other words, it is the opinion of the able Senator from Massachusetts that the Administrator would have the right to use the RFC under the bill as written. Would the Senator from Michigan be willing to amend the bill so that it would be specific on that point, so there would be no question about it?

Mr. WHERRY. To accomplish what the Senator from Indiana seeks to accomplish is another thing.

Mr. CAPEHART. Yes; I appreciate that.

Mr. VANDENBERG. Mr. President, the difficulty I confront in answering the Senator's question is that I would not know what is the definition of the phrase contained in those few words. I would think it rather dangerous to start attempting to identify formulae.

Mr. CAPEHART. I merely asked the question because the able Senator from Massachusetts in his argument against my substitute said that the Administrator now has the right, and, if in his good judgment he wanted to, could use the facilities of the RFC and have the RFC loan money to foreign countries, and buy stock in foreign RFC's. I think he is wrong, but he might well be right.

Mr. VANDENBERG. I would not undertake to pass upon the question. It is a legal question. But the Senator from Massachusetts might well be right.

Mr. CAPEHART. Yes; I agree with that. He might well be right, but I am afraid he is wrong.

Mr. VANDENBERG. The fundamental point to which the Senator from Indiana and I again come back, and where we began an hour and a half ago—the fundamental point with me is in my appeal to my friend, that the whole enterprise will be passing under review within 9 months. It is going to be reviewed in the presence, we hope, of a report from the so-called watchdog committee which, if it functions with any such

relative degree of success as the kindred Joint Committee on Atomic Energy has functioned, will put the Congress next January in the position of having dependable realities with which to come to grips. I may say to the Senator that if, at that time there is anything that is not evolving in a satisfactory fashion we can change it, and we should change it. If at that time the plan is showing a happy degree of success, the Senator from Indiana will be one of the first to say that it ought to proceed. If it is showing signs of inefficiency and decay, the Senator from Michigan will be one of the first to say that it ought to be changed. In the light of the situation which we confront—and we do confront a condition and not a theory—it seems to me that the practical thing to do is to refer the Senator's proposal to the Senate Committee on Foreign Relations, and not submit it to a vote in the Senate at the present time. On the other hand, if the Senator desires a vote, I respectfully suggest to him that we arrange to have it at a time which suits his convenience, so that we can get on with this terrifically important job.

Mr. CAPEHART. Mr. President, I assure the able Senator from Michigan that I shall not delay the final vote on the bill. At the moment I want a vote on it. But let me say, in answer to the point about haste in meeting the Italian election, which is approximately 6 weeks away, that under either the committee bill or the substitute bill the Administrator could proceed, if he cared to do so, to use \$500,000,000 in Italy, if the bill were passed prior to the Italian elections. It would not in the least interfere with his immediate functioning in Italy. He could proceed to do what he could do, and the only thing he could do, whichever bill passed the Congress.

Mr. LODGE. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. LODGE. Let me say to the able Senator from Indiana that it is not a question of funds going into Italy. I presume that that situation is pretty well organized now. It is a question of the psychological effect over there which will result from an assurance that this country is interested in what happens in Europe. It is not a question of funds which may be made available under this bill, because they would not be made available in time to affect anything.

There is a question of the attitude which the United States is to take toward the whole imperialistic threat; and the action of the Congress on this bill be regarded as an indication of the American viewpoint.

Mr. CAPEHART. My opinion is that the psychological effect on the Italian people would be just as good under one bill as under the other. I do not think we need to make haste to pass one bill, as against another, because of the psychological effect on Italy. If I correctly judge the temper of the Italian people at the moment—and I have been in that country—only a small percentage of the people will know what we do or do not do in the Congress of the United States in respect to this bill. Perhaps only one-thousandth of 1 percent of the people

will ever read the bill or know what is in it, or understand it. Only a very small percentage of the people will ever know whether we are helping them or not. I may well be mistaken in that judgment.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. VANDENBERG. Would the Senator agree to a unanimous-consent request to vote upon his substitute without further debate or amendment, either at 5 o'clock this afternoon or when the Senate reconvenes at 12 o'clock noon tomorrow?

Mr. CAPEHART. I shall be very happy to agree to a vote at 2 o'clock tomorrow.

Mr. VANDENBERG. Mr. President, I make such a unanimous-consent request.

The PRESIDING OFFICER. Is there objection?

Mr. REVERCOMB. Mr. President, reserving the right to object, what was the hour suggested?

Mr. CAPEHART. The hour suggested by the able Senator from Michigan was either 5 o'clock today or 12 o'clock noon tomorrow. My counterproposal was to vote at 2 o'clock tomorrow afternoon.

Mr. REVERCOMB. I hope the Senator will not agree to the proposal at this time, and that that question may be passed for a few moments.

The PRESIDING OFFICER. Objection is heard.

Mr. CAPEHART. Mr. President, I think that is about all I care to say on the subject at this time.

Mr. WHERRY. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. WHERRY. There is one feature about the proposal of the distinguished Senator from Indiana which I had considered prior to coming back to this session of the Congress. I am not sure whether the Senator intended to have it embodied in the substitute bill, or whether he had thought about it.

It seems to me that if there could be a provision in whatever bill is enacted whereby the RFC could function as has been outlined by the distinguished Senator, it would have at least one wholesome effect. With respect to the loans which are made privately, or even to the municipal corporations or governmental corporations which now exist, there would be, to a certain extent, policing on the part of the RFC—and I hope there will be such policing on the part of the Administrator if the Senator's proposal is not adopted. I hope that there will be an inducement to local capital in the respective countries to invest in these projects—either in the bank itself or in the projects for which money is made available. I suggest to the distinguished Senator that that is one thing which surely should be stressed to the *n*th degree, because if we do not insist that the capital belonging to citizens of foreign countries be used to build up their own industries, certainly there will be a wholesale demand made to come to the United States taxpayers and get the money. That will be the result if we bypass local capital, or even the money which is invested in the United States. I believe there is a section of the bill de-

voted to the effort to induce local capital in the respective countries to invest in these projects.

I wish to compliment the distinguished Senator from Michigan for going as far as he could to reveal how much of such capital is here, and what the investments are. There has been a great deal of loose talk about the amount of foreign capital invested in the United States. Estimates run all the way from \$12,000,000,000 to \$18,000,000,000. It seems to me that if an inducement cannot be made to citizens of foreign countries to invest in these projects, we shall be going a long way toward requiring citizens of the United States to make the investment, because without such an inducement the citizens of foreign countries will not invest their funds in their own institutions.

Furthermore, if local capital is invested in the RFC of the particular country, or if it is invested in the individual projects, there will be citizens in each community who will police the loan, and also the Government, to see that the financial arrangements are satisfactory. I do not recall any statement on that subject in the Senator's formal address, but I ask him if that object would not be accomplished if either the pending bill or the Senator's substitute should contain a section providing for the organization of a local RFC on the basis he has suggested.

Mr. CAPEHART. Of course, the substitute bill calls for our RFC to buy half of the stock in the respective Reconstruction Finance Corporations in the 16 European nations, we furnishing half the capital and they furnishing the other half. They would obtain their half of the capital from their present investments in the United States. Those investments would be put up as collateral. We would not disturb the investments. They would merely be put up as collateral.

It might interest the Senate to know that the British Government borrowed six hundred million or seven hundred million—or perhaps it was only four hundred and fifty million—from our own RFC. The British Government put up as collateral for that loan its investments in our own country, and the investments of its nationals. They retained title. They even received the interest and dividends. Such dividends and earnings amount to approximately \$97,500,000 a year. They would be using the earnings on approximately \$900,000,000 worth of investments which they have in our country, to pay back the \$450,000,000 loan. In asking the foreign governments to put up half the capital, we would only be asking them to use as collateral the investments they now have in the United States, and they would retain title to those investments and would receive the earnings from them. They would lose them only if, as, and when their own RFC, that is, the one in their own country, might become defunct and bankrupt. If they managed this matter properly and if it was successful, the whole business would not cost the countries of Europe or our own taxpayers one penny; all of it would be done on credit.

Mr. LODGE. Mr. President, will the Senator yield to me?

Mr. CAPEHART. I yield.

Mr. LODGE. I should like to point out that the bill as it now stands provides, on page 29, in line 11, that the investments of foreigners in the United States shall be efficiently and practically used and shall be located and controlled in the interests of this Marshall plan. In other words, as the bill now stands, it contains provision for the machinery to see to it that the assets of foreigners in the United States shall bear their fair share of the load under the Marshall plan.

Mr. CAPEHART. I agree, Mr. President. They will be used by their own respective governments. There is no question about that. But I do not think that is the point involved here. I am suggesting the RFC plan in order to cut down the cost to our own taxpayers.

Mr. LODGE. But if the Administrator locates and controls and makes efficient and practical use of these foreign assets, as provided in this bill, that will reduce the cost of this program by just that much.

Mr. WHERRY. Mr. President, will the Senator yield to me?

Mr. CAPEHART. I yield.

Mr. WHERRY. I say that what the Senator from Massachusetts has just suggested is correct, if the Administrator does actually make use of the foreign investments and assets in that way. But under the program as now suggested by the Senator from Indiana, that would be a part of the loan. An inducement would be made in that way.

The suggestion made in the committee bill simply means that the Administrator shall attempt to have the foreign assets spent on the recovery program. But in the particular program which the Senator from Indiana has advanced there would be an inducement to foreign capital to invest in an RFC which, in turn, would make the scores of loans which would be negotiated. The substitute bill provides an inducement. There is quite a difference between making a loan in a case in which a party becomes a partner—as would be the case under the substitute bill—and the provision now in the bill which simply says that the Administrator is to attempt to induce those who have flight capital in the United States—stocks and bonds—to invest in their own country.

Mr. LODGE. Mr. President, let me say to the Senator from Nebraska, if the Senator from Indiana will permit—

Mr. CAPEHART. I yield.

Mr. LODGE. Let me say that the inducement under the language of the present bill is very much greater than the inducement under the plan the Senator from Indiana is discussing, because under the present bill there is the force of law, with the recipient countries' governments behind it, and that is a very powerful inducement, indeed.

Mr. WHERRY. Yes; but in the final analysis, what is the result?

Mr. LODGE. These assets can be pledged to the support of the Marshall plan.

Mr. WHERRY. Would the Administrator make them pledge the assets to the support of the plan?

Mr. LODGE. No. The Senator from Nebraska is trying to get me to say something that I will not say. He is trying to get me to say that there is going to be a forced liquidation of foreign assets. However, I do not agree that that will happen. The Senator from Indiana does not want it, either, and neither does the Senator from Nebraska. So here we have just another attempt to draw a red herring across the trail.

Mr. WHERRY. Mr. President, I thank the Senator from Massachusetts. That is the point I am making. In short, we cannot force them to invest. It would be against all American tradition and policy to attempt to make them do so.

The new proposal would have them make loans to the industries of their own countries. To that extent the new proposal is a broad and expanded plan.

If the Senator from Massachusetts says it can be done under this section of the pending bill, perhaps this matter can be ironed out. But certainly I think the Senator from Indiana has a very good point.

Mr. LODGE. Certainly he has a good point.

Mr. WHERRY. Certainly he has a good point in attempting to induce foreign capital to invest in the institutions of its own country, by taking that capital out of the United States willingly, and using it to build up their own industries, as a part of their own assets and their own program—rather than to have us do it, and then have them keep their capital and their investments in the United States.

Mr. LODGE. Of course the Senator has a good point.

Mr. WHERRY. Certainly.

Mr. LODGE. Mr. President, if the Senator from Indiana will further yield, let me say that it seems to me that the idea that as a result of this bill the people of Europe will make their own maximum contribution to their own welfare, in whatever way they can—by their own work or their own investments, or by whatever other means—is absolutely implicit to this bill. That is the whole point of it, and it runs through the entire language of the bill.

That is why I agree that the idea of the Senator from Indiana is a good one. It is so good that everyone else has had the same idea, and we have been trying to frame a bill which will result in the maximum amount of European self-help.

Mr. CAPEHART. Mr. President, the substitute plan is, in my opinion, more definite in respect to the subject we have been discussing. I agree that what the able Senator from Massachusetts stated a moment ago is true, but it deals in generalities. What he tried to tell us was, "Yes; under the bill the 16 nations must try to find their dollar investments in the United States, and they must use them; and as a result of using them, they will need less money from our Administrator." That is what the Senator from Massachusetts was trying to

say, and I think that is what he did say. That is true; but the Senator still forgets that we are going to appropriate \$5,300,000,000 to the Administrator, although it is true that he will not have to use it if he does not want to.

But under the substitute bill the governments of the 16 nations must put up half of the capital. We would put up half and they would put up half. They have the capital in the United States at the moment. We do not ask them to liquidate those holdings. We would not confiscate those holdings. We ask them simply to put up those holdings as collateral against their investment in their own RFC, one-half to be invested by them and one-half by ourselves. That is all we ask them to do. They would retain the title to their holdings, and they would receive all the earnings from their holdings. If their own national reconstruction finance corporation, of which they would own one-half and we would own one-half, is successful, they will continue to own and control their dollars in this country.

Mr. President, I have finished, at least for the time being, on this subject. I thank the able Senator from Michigan for his kind consideration.

The PRESIDING OFFICER. Does the Senator from Indiana yield the floor?

Mr. CAPEHART. I do.

LIST OF UNITED STATES PERSONNEL PARTICIPATING IN THE PREPARATION OF THE EUROPEAN RECOVERY PROGRAM

Mr. WILSON. Mr. President, I have had numerous requests from the people of Iowa for a list of those persons connected with the executive department who had to do with the European recovery program. In response to that request I communicated with the executive branch of the Government and there has been handed me a list of United States personnel participating in the preparation of the program. The list does not include any persons from the legislative branch. I ask unanimous consent that as a part of my remarks this list, together with the table of contents, be printed in the RECORD.

There being no objection, the list and table of contents were ordered to be printed in the RECORD, as follows:

LIST OF UNITED STATES PERSONNEL PARTICIPATING IN THE PREPARATION OF THE EUROPEAN RECOVERY PROGRAM

(Table of contents)

- A. Advisory Steering Committee on European Recovery Program.
- B. Executive Committee on Economic Foreign Policy (ECEFP).
- C. National Advisory Council (NAC).
- D. Policy Planning Staff of the Department of State.
- E. Substructure of the major committees:
 - (1) Advisory Steering Committee:
 - (a) Objectives Subcommittee.
 - (b) Correlation Committee and staff group.
 - (c) Organization and Administration Committee.
 - (d) Legislative Drafting Committee.
 - (e) Functional and Commodity Committee:
 1. Food and agriculture.
 2. Fertilizer.
 3. Agricultural machinery.
 4. Coal.
 5. Mining machinery.

6. Electric power.
7. Petroleum.
8. Iron and steel.
9. Inland transport.
10. Maritime transport.
11. Timber.
12. Manpower.

(f) Country committees: Coordinating group:

1. Austria.
2. Belgium—Netherlands—Luxemburg.
3. France.
4. Greece.
5. Italy.
6. Scandinavia.
7. Switzerland—Portugal.
8. Turkey.
9. United Kingdom and Ireland.
10. Western Germany.

(2) Executive Committee on Economic Foreign Policy: Subcommittees for ERP:

(a) Working group on relationship between the ERP and the UN and specialized organizations.

(b) Working group on the relationship between ERP and ITO.

(c) Working group on domestic controls needed to implement the ERP.

(d) Working group on strategic materials.

(e) Working group on manpower report.

(3) National Advisory Council: Staff committee.

A. ADVISORY STEERING COMMITTEE ON EUROPEAN RECOVERY PROGRAM

Chairman: Robert A. Lovett, Department of State.

Vice Chairman and Executive Secretary: Charles H. Bonesteel, Department of State.

Secretary: Melvin L. Manfull, Department of State.

Members: Charles Murphy, the White House; Thomas C. Blaisdell, Jr., Department of Commerce; Frank A. Southard, Treasury Department; N. E. Dodd, Department of Agriculture; James Boyd, Department of the Interior; Col. R. M. Cheseldine, Department of the Army; Admiral E. T. Wooldridge, Department of the Navy; J. Burke Knapp, Federal Reserve; Philip M. Kaiser, Department of Labor.

Alternates: Paul H. Nitze, Lincoln Gordon, Henry Labouisse, Department of State; Robert Turner, the White House; Thomas J. Lynch, L. M. Pumphrey, Treasury Department; Jesse Gilmer, Fred D. Northrup, Department of Agriculture; Capt. Nathan H. Collisson, Department of the Interior; Lt. Col. Philip Shepley, Department of the Army; Capt. Y. J. Tichenor, Department of the Navy; Alexander Gerschenkron, Lewis Dembitz, Federal Reserve; Willard L. Thorp, Department of State.

B. EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

Chairman: Willard L. Thorp, Department of State.

Executive Secretary: Eleanor E. Dennison, Department of State.

Members: Frank H. Southard, Jr., Treasury Department; Clinton P. Anderson, Department of Agriculture; Thomas C. Blaisdell, Department of Commerce; Philip Kaiser, Department of Labor; C. Girard Davidson, Department of the Interior; Thomas J. Hargrave, National Military Establishment; Oscar B. Ryder, United States Tariff Commission; J. Burke Knapp, Federal Reserve Board.

Alternates: Morris J. Fields, Treasury Department; Charles Brannan, Department of Agriculture; Frank Shields, Department of Commerce; Faith M. Williams, Department of Labor; Arthur S. Barrows, National Military Establishment; Lynn R. Edminster, United States Tariff Commission.

¹ Has liaison representation on ECEFP; for Marshall plan discussions considered full member.

C. NATIONAL ADVISORY COUNCIL

Chairman: John W. Snyder, Treasury Department.

Secretary: John W. Gunter, Treasury Department.

Members: George C. Marshall, Department of State; W. Averell Harriman, Department of Commerce; Marriner S. Eccles, Board of Governors, Federal Reserve System; William McC. Martin, Jr., Export-Import Bank.

Alternates: Frank A. Southard, Treasury Department; Willard L. Thorp, Department of State; Thomas C. Blaisdell, Jr., Department of Commerce; J. Burke Knapp, Federal Reserve System; Herbert E. Gaston, Export-Import Bank.

D. POLICY PLANNING STAFF OF THE DEPARTMENT OF STATE

Director: George F. Kennan, Department of State.

Executive Secretary: Carlton Savage, Department of State.

Members: Jacques J. Reinstein, Department of State; Joseph E. Johnson, Department of State; Ware Adams, Department of State.

Consultant: Edward S. Mason, Harvard University.

E. SUBSTRUCTURE OF THE MAJOR COMMITTEES

(1) Advisory Steering Committee

(a) Objectives Subcommittee

Chairman: George F. Kennan, Department of State.

Executive Secretary: Bromley K. Smith, Department of State.

Members: Charles H. Bonesteel, Department of State; Willard Thorp, Department of State; Thomas C. Blaisdell, Jr., Department of Commerce; Frank A. Southard, Treasury Department.

Consultants: Jacques J. Reinstein, Department of State; John D. Hickerson, Department of State; Samuel Reber, Department of State; Loy W. Henderson, Department of State; W. Walton Butterworth, Department of State.

(b) Correlation Committee

Chairman: Charles H. Bonesteel, Department of State.

Executive secretary: Col. Sidney Giffen, Department of the Army.

Secretary: Stanley Phraner, Department of Commerce.

Members: Paul H. Nitze, Lincoln Gordon, Department of State; Frank A. Southard, Treasury Department; Thomas Blaisdell, John M. Cassels, Department of Commerce.

Staff group for Correlation Committee

Chief: Charles P. Kindleberger, Department of State.

Members: Harold R. Spiegel, William T. Phillips, William H. Bray, Jr., Wilfred Malenbaum, Ben T. Moore, Robert W. Tufts, Harlan P. Bramble, Department of State.

(c) Organization and Administration Committee

Chairman: Lincoln Gordon, Department of State.

Executive secretary: Herman Pollack, Department of State.

Secretary: John L. Kuhn, Department of State.

Members: Arthur A. Kimball, Department of State; Thomas J. Lynch, Treasury Department; Nathan Ostroff, Department of Commerce; Thatcher Winslow, Labor Department; Dan Wheeler, Department of the Interior; J. Burke Knapp, Federal Reserve Board; W. Carroll Hunter, Department of Agriculture; Lt. Col. John P. Buehler, Department of the Army.

Alternates: Joseph A. Frank, Arthur G. Stevens, Wayne G. Jackson, Walter S. Surrey, Department of State; Joseph B. Friedman, Treasury Department; Daniel L. Goldy, Department of the Interior.

(d) Legislative Drafting Committee

Chairman: Ernest A. Gross, Department of State.

Members: Thomas J. Lynch, Treasury Department; Adrian Fisher, Department of Commerce; Martin G. White, Department of the Interior; W. Carroll Hunter, Department of Agriculture; Jeter S. Ray, Department of Labor; Maj. Gen. Thomas H. Green, Department of the Army; Hudson B. Cox, Department of the Navy; George B. Vest, Board of Governors, Federal Reserve System; Wade H. Skinner, Maritime Commission; Hawthorne Arey, Export-Import Bank of Washington.

Alternates: Walter S. Surrey, Michael H. Cardozo, Robert B. Eichholz, Department of State; Joseph B. Friedman, Elting Arnold, Clifford Hynning, Treasury Department; Nathan Ostroff, J. P. Brown, Department of Commerce; Felix S. Cohen, Department of the Interior; George E. Cooper, Edward M. Shulman, Department of Agriculture; Kenneth Melklejohn, Department of Labor; Brig. Gen. E. M. Brannon, Col. James F. Hanley, Lt. Col. Ray K. Smathers, Col. W. H. Peters, Jr., Department of the Army; Harold B. Gross, Department of the Navy; Fred Solomon, Board of Governors, Federal Reserve System.

(e) Functional and Commodity Committee

Chairman: Paul H. Nitze, Department of State.

Executive secretary: Glenn H. Craig, Department of State.

Secretary: Ronald M. Ayer, Department of State.

Members: Chairmen of individual commodity committees on attached lists.

1. Food and agriculture

Chairman: Fred Northrup, Department of Agriculture.

Secretary: Murray Thompson, Department of Agriculture.

Members: W. J. Garvin, Department of the Army; Lewis Bessie, Department of Commerce; Albert Viton, International Emergency Food Council; Francis Linville, Department of State; C. K. Lewis, Tariff Commission; Robert Oshins, the White House.

Alternates: J. A. Becker, J. T. Cavin, Joseph L. Orr, F. M. Rhodes, L. B. Taylor, Department of Agriculture; C. E. Lund, Department of Commerce.

Observers and consultants at conversations with representatives of technical committee of CEEC in Washington during October and November 1947: Karl A. Fox, Harriman committee staff; John Kerr Rose, House Select Committee on Foreign Aid staff.

2. Fertilizer

Chairman: William G. Finn, Department of Agriculture.

Secretary: William F. Watkins, Department of Agriculture.

Members: Kenneth D. Jacob, Department of Agriculture; C. K. Horner, Department of Commerce; Henry M. Pauley, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Karl A. Fox, Maynard Jenkins, Harriman committee staff; John Kerr Rose, House Select Committee on Foreign Aid staff.

3. Agricultural machinery

Chairman: William L. Beck, Department of Commerce.

Secretary: Martin R. Cooper, Department of Agriculture.

Members: Thomas J. Murphy, Department of Commerce; Karl L. Anderson, Department of State.

Alternates: A. P. Brodell, R. B. Gray, Erling Hole, Leon B. Taylor, Arthur W. Turner, Department of Agriculture; G. J. Rothwell, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Karl A. Fox, H. H. Hughes, S. Morris Livingston, Willard Morrison, Harriman committee staff; John Kerr Rose, House Select Committee on Foreign Aid staff; Francis O. Wilcox, Senate Committee on Foreign Relations staff.

4. Coal

Chairman: John Havener, Department of Commerce.

Secretary: Louis Lister, Department of State.

Assistant secretary: Fred Sanderson, Department of State.

Members: C. M. Stull, Department of Commerce; Thomas Hunter, Department of the Interior; R. M. Preisman, Office of Coordinator.

Alternates: Ralph Trisko, Department of Commerce; Daniel Wheeler, Department of the Interior.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: C. W. de Forest, Richard H. Mote, Hector Prud'homme, Harriman committee staff; Theodore Geiger, House Select Committee on Foreign Aid staff.

5. Mining machinery

Chairman: William L. Beck, Department of Commerce.

Secretary: Everett Wilcox, Department of Commerce.

Members: William H. Myer, Department of Commerce; John W. Buch, Department of the Interior; Karl L. Anderson, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Harold von Thaden, Department of Commerce; Albert M. Keenan, S. Morris Livingston, Arthur Knochen, Richard H. Mote, H. R. Wheeler, Harriman committee staff; Theodore Geiger, House Select Committee on Foreign Aid staff.

6. Electric power

Chairman: Thomas Hibben, Department of Commerce.

Secretary: Wilfred Malenbaum, Department of State.

Assistant secretary: M. G. Tiger, Department of State.

Members: Lt. Col. A. L. Jorgenson, Department of the Army; E. Robert de Lucci, Federal Power Commission; Arthur Goldschmidt, Department of the Interior.

Alternates: Howard Way, Department of Commerce; Ellsworth Hand, C. E. Bennett, Federal Power Commission.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Walter L. Cissler, C. W. de Forest, George Hamilton, R. M. Landreth, J. A. H. Torry, V. M. White, Harriman committee staff; Edward Falck, House Select Committee on Foreign Aid staff.

7. Petroleum

Chairman: John Loftus, Department of State.

Secretary: David Longanecker, Department of State.

Members: Gustav Vogel, Army-Navy Petroleum Board; Carl Gibboney, Department of Commerce; Max Ball, Department of the Interior; Walter Levy, Department of State.

Alternates: Carroll Fentress, Department of the Interior; E. B. Swanson, Department of the Interior; R. H. S. Eakens, Department of State.

Observers and consultants at conversations with representatives of technical committee of CEEC in Washington during October and November 1947: John Bauer, Harriman committee staff; Gerald Cogan, Harriman com-

mittee staff; A. E. Ernst, Harriman committee staff; Robert Koenig, Harriman committee staff; Richard Mote, Harriman committee staff; Arthur Stewart, Harriman committee staff; John Fry, House Select Committee on Foreign Aid staff.

8. Iron and steel

Chairman: J. Joseph Palmer, Department of Commerce.

Secretary: Isalah Frank, Department of State.

Assistant Secretary: Virginia McClung, Department of State.

Members: Robert Simpson, Department of Commerce; Harold Wein, Department of Justice; Paul Hoover, Department of State; Carlyle H. Strand, Tariff Commission.

Alternates: Robert H. Weidenhammer, Department of Commerce; Leon Goldenberg, Department of State.

Observers and consultants at conversations with representatives of technical committee of CEEC in Washington during October and November 1947: Hiland Bachellor, Harriman committee staff; Richard Bissell, Harriman committee staff; Otis Brubaker, Harriman committee staff; S. Morris Livingston, Harriman committee staff; William S. Morrison, Harriman committee staff; Hector Prud'homme, Harriman committee staff; William Remington, Harriman committee staff; Edwin B. George, Robert Landry, House Select Committee on Foreign Aid staff.

9. Inland transport

Chairman: John H. Tuthill, Department of State.

Secretary: Doris Whitnack, Department of State.

Members: T. E. Anderson, J. C. Winter, Department of Agriculture; Paul Brown, Department of the Army; James Glynn, Department of Commerce; Gerald Gallagher, ODT; H. H. Kelly, Department of State.

Alternates: J. J. Kaplan, Gustav Pollaczek, Robert Swain, Clarence S. Gunther, Department of State.

Observers and consultants at conversations with representatives of technical committee of CEEC in Washington during October and November 1947: William Flexner, Max Milliken, Harriman committee staff.

10. Maritime transport²

Chairman: Walter Radius, Department of State.

Secretary: Lehman P. Nickell, Department of State.

Members: Serge Kushnarev, Department of Commerce; Huntington T. Morse, Maritime Commission; J. E. Saugstad, Department of State.

Alternate: Harvey Klemmer, Department of State.

² The report submitted on Maritime Transport was reviewed by the shipping coordinating committee (SEC). Its formal membership is as follows:

Chairman: Garrison Norton, Department of State.

Vice chairman: W. W. Smith, United States Maritime Commission.

Executive secretary: L. James Falck, United States Maritime Commission.

Assistant executive secretary: John W. Mann, United States Maritime Commission.

Secretary: G. Curtis Murrell, United States Maritime Commission.

Members: Maj. Gen. Edward H. Leavey, Department of the Army; Thomas C. Blaisdell, Department of Commerce; Rear Adm. W. M. Callaghan, Department of the Navy; Edward H. Foley, Treasury Department.

Alternates: Brig. Gen. Paul Yount, Department of the Army; Thomas Hibben, James C. Nelson, Department of Commerce; Huntington T. Morse, Richard Parkhurst, United States Maritime Commission; Capt. W. N. Mansfield, USNR, Department of the Navy; Adm. J. F. Farley, USCG, Capt. H. C. Moore, USCG, Treasury Department.

Observers and consultants at conversations with representatives of technical committee of CEEC in Washington during October and November, 1947: Capt. Granville Conway, James McCullough, Max Milliken, Harriman committee staff.

11. Timber

Chairman: Edward I. Kotok, Department of Agriculture.

Secretary: W. H. Sparhawk, Department of Agriculture.

Members: Edward C. Crafts, Department of Agriculture; Joseph L. Muller, Department of Commerce; Jacob Crane, Federal Housing Agency; J. S. Shanklin, Department of the Interior; Frank H. Whitehouse, Department of State; J. M. P. Donahoe, Tariff Commission.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: A. C. Cline, Kenneth R. Davis, Harriman committee staff; Theodore Geiger, House Select Committee on Foreign Aid staff; Thomas Gill, Pack Forestry Foundation.

12. Manpower

Chairman: Faith Williams, Department of Labor.

Secretary: Jean Flexner, Department of Labor.

Members: Ralph Hetzel, Department of Commerce; Val R. Lorwin, Department of State.

Alternates: David Lasser, Department of Commerce; Herbert A. Fierst, Department of State.

Observers and consultants at conversations with representatives of Technical Committee of CEEC in Washington during October and November 1947: Ford Hinrichs, Harriman committee staff; Gustav Peck, House Select Committee on Foreign Aid staff.

(f) Country committees

Coordinating group for country studies

Chairman: Henry Labouisse, Department of State.

Executive secretary: Leonard Unger, Department of State.

Members: Fred Straus, Department of Commerce; Val Lorwin, Wayne Jackson, William Koren, Department of State.

1. Austria

Chairman: Harold Vedeler, Department of State.

Executive secretary: Charles Rogers, Department of State.

Members: Karl Koranyi, Department of Commerce; J. Herbert Furth, Federal Reserve Board; James Wood, Treasury Department.

Staff: Joseph Rosa, Gerti Landauer, Everett Walk, Erwin Strauss, Department of State; Myrtle Brickman, Department of Commerce; Margaret Bell, Treasury Department.

2. Belgium-Netherlands-Luxembourg

Chairman: Ray Miller, Department of State.

Executive secretary: Richard Breithut, Department of State.

Members: Taylor Musser, Department of Commerce; Robert Bean, Federal Reserve Board; George Willis, Treasury Department.

Staff: Clinton Knox, Paul Hoover, Marcia Harrison, Elizabeth Otey, Department of State; Walter Buchdahl, Clarence Seigel, Department of Commerce; Frances Miller, Ellen Maloney, Paul Parker, Treasury Department.

3. France

Chairman: Woodruff Wallner, Department of State.

Executive secretary: Ivan White, Department of State.

Executive secretary: ³ Maurice Levy-Hawes, Department of State.

³ Mr. Levy-Hawes succeeded Mr. White on the latter's return to the Paris Embassy.

Members: Taylor Musser, Department of Commerce; Albert Hirschman, Federal Reserve Board; Frances Miller, Treasury Department.

Staff: Alfred Reifman, Val Lorwin, William Koren, Leon Goldenberg, Department of State; John Keen, Clarence Seigel, Department of Commerce.

4. Greece

Chairman: William Rountree, Department of State.

Executive secretary: John Lindeman, Department of State.

Members: Samuel Goldberg, Department of Commerce; J. Herbert Furth, Federal Reserve Board; George Willis, Treasury Department.

Staff: Arthur Beach, Charles Glendinning, John Kennedy, Department of State; Beatrice S. Baum, Treasury Department.

5. Italy

Chairman: Walter Dowling, Department of State.

Executive secretary: William Stibravy, Department of State.

Members: Katherine Jacobson, Department of Commerce; Albert Hirschman, Federal Reserve Board; George Willis, Treasury Department.

Staff: Gesualdo Costanzo, Jacob Kaplan, George Tesoro, Clinton Doggett, Department of State; Seymour Pollack, Treasury Department.

6. Scandinavia

Chairman: Robert Hooker, Department of State.

Executive secretary: Randolph Higgs, Department of State.

Members: Grant Olson, Department of Commerce; Robert Bean, Federal Reserve Board; George Willis, Treasury Department.

Staff: George Alsberg, Richard Breithut, Eleanor Murphy, Eddie Schodt, Department of State; Ellen Maloney, Treasury Department.

7. Switzerland-Portugal

Chairman: Outerbridge Horsey, Department of State.

Executive secretary: William Conklin, Department of State.

Members: Charles Barrett, Department of Commerce; Albert Hirschman, Federal Reserve Board; James Wood, Treasury Department.

Staff: Edmund Da Silveira, Raymond Fernandez, Maurice Levy-Hawes, Nicholas Milroy, Department of State; Fred Neter, Seymour Pollack, Treasury Department.

10. Western Germany

Chairman: Edwin Martin, Department of State.

Chairman: Daniel Margolies, Department of State.

Executive secretary: Coburn Kidd, Department of State.

Members: Karl Koranyi, Department of Commerce; J. Herbert Furth, Federal Reserve; James Wood, Treasury Department; Col. Charles Blumenfeld, Department of the Army; Don D. Humphrey, OMGUS.

Staff: George Jacobs, Department of State; William Parker, Department of State; Fred Sanderson, Department of State; June Boeckman, Department of State; Herbert H. Marcuse, Department of State; Stanley Sommerfield, Treasury Department; Maj. William Reed, Department of the Army; Wilfred Garvin, Department of the Army; Saul Nelson, OMGUS.

(2) Executive Committee on Economic Foreign Policy: subcommittees for ERP

(a) Working group on the relationship between the ERP and the UN and specialized organizations:

*Mr. Margolies served as chairman while Mr. Martin attended the meetings of the Council of Foreign Ministers in London.

Chairman: Leroy D. Stinebower, Department of State.

Members: Miriam Camp, Otis E. Mullikin, Department of State; Thomas C. Blaisdell, Jr., Department of Commerce; Iver Olsen, Treasury Department; Robert B. Schwenger, Department of Agriculture.

(b) Working group on the relationship between ERP and ITO:

Chairman: Paul H. Nitze, Department of State.

Members: Ben T. Moore, Department of State; George Bronz, Morris Fields, Treasury Department; Oscar Zaglits, Department of Agriculture; Henry Chalmers, Department of Commerce; Lynn R. Edminster, United States Tariff Commission.

(c) Working group on domestic controls needed to implement the ERP:

Chairman: Donald D. Kennedy, Department of State.

Members: Charles P. O'Donnell, Department of State; John S. Richards, Treasury Department; Frank Garfield, Federal Reserve Board; Charles W. Bucy, Department of Agriculture; Paul Homan, Council of Economic Advisers; Walter Seymour, Department of the Interior; Mike Meehan, Department of Commerce.

(d) Working group on strategic materials:

Chairman: William T. Phillips, Department of State.

Members: Karl L. Anderson, Department of State; James Boyd, Department of the Interior; Carl Rolle, Army and Navy Munitions Board; T. D. O'Keefe, Department of Commerce; Morris Fields, Treasury Department; W. G. Finn, Department of Agriculture.

(e) Working group on manpower report: Chairman: Faith Williams, Department of Labor.

Members: Wilbur Cohen, Federal Security Agency; Irwin M. Tobin, George L. Warren, Val Lorwin, Department of State; Collis Stocking, Jean Flexner, Department of Labor; Duncan Wall, Department of Agriculture.

(3) National Advisory Council: Staff committee

Chairman: John W. Gunter, Treasury Department.

Working group chairman: Andrew M. Kamarek, Treasury Department.

Secretary: Allan J. Fisher, Treasury Department.

Assistant secretary: Harold Rosen, Treasury Department.

Members: Norman Ness, Department of State; Clarence Blau, Department of Commerce; J. Burke Knapp, Board of Governors, Federal Reserve System; Hawthorne Arey, Export-Import Bank; Walter C. Louchheim, Securities and Exchange Commission.

Liaison alternates: Jerome J. Stenger, Hubert F. Havlik, Hale T. Shenofield, Harold R. Spiegel, Department of State; Lewis Dembitz, Board of Governors, Federal Reserve System; Walter C. Sauer, Export-Import Bank.

Interdepartmental working groups of the staff committee composed of the experts on the particular matter or country are set up as occasion warrants. These groups collect the basic information available to the Government and perform the necessary analysis on the particular problem. The membership of these groups at one time or another would include most of the experts in governmental service working on international financial and economic problems. It appears neither appropriate nor feasible, therefore, to list the membership of such groups.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through

necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. BALDWIN obtained the floor.

Mr. RUSSELL. Mr. President—

Mr. BALDWIN. I yield to the Senator from Georgia.

Mr. RUSSELL. Will the Senator from Connecticut permit me to suggest the absence of a quorum?

The PRESIDING OFFICER. Does the Senator from Georgia suggest the absence of a quorum?

Mr. RUSSELL. With the indulgence of the Senator from Connecticut, I do. I think a quorum should be present.

The PRESIDING OFFICER. Does the Senator from Connecticut yield for that purpose?

Mr. BALDWIN. Yes.

Mr. RUSSELL. Then, Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hatch	O'Connor
Baldwin	Hawkes	O'Daniel
Ball	Hayden	O'Mahoney
Barkley	Hickenlooper	Overton
Brewster	Hill	Pepper
Bricker	Hoe	Reed
Bridges	Holland	Revercomb
Brooks	Ives	Robertson, Va.
Buck	Jenner	Robertson, Wyo.
Butler	Johnson, Colo.	Russell
Byrd	Johnston, S. C.	Saltonstall
Cain	Kem	Smith
Capehart	Kilgore	Sparkman
Capper	Knowland	Stennis
Chavez	Langer	Stewart
Connally	Lodge	Taft
Cooper	Lucas	Taylor
Cordon	McCarran	Thomas, Okla.
Downey	McClellan	Thomas, Utah
Dworshak	McFarland	Thye
Eastland	McGrath	Tobey
Eaton	McKellar	Tomstead
Ellender	Magnuson	Vandenberg
Ferguson	Maybank	Watkins
Flanders	Mullikin	Wherry
George	Moore	Wiley
Green	Murray	Williams
Gurney	Myers	Wilson

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

Mr. BALDWIN. Mr. President, it is a most welcome relief to know that months of objective study have gone into the preparation and planning for the European recovery program. I say it is a welcome relief because too often, in the past, we have been in the position of having to vote hurriedly on last-minute, hastily conceived emergency programs. We have been impressed, too, by the commendable work of the members of the Senate Foreign Relations Committee, and particularly by the devoted work of the senior Senator from Michigan, the chairman of that committee. I believe the members of that committee, who unanimously reported this bill, deserve our commendation and our confidence.

In the last few days we have heard here on the Senate floor, and have read in the RECORD, the many objections to and reservations concerning the European recovery plan. The net effect has been good. These exchanges have called sharply to our attention the dangers in-

herent in the plan and the need for careful and constant observation.

There has, however, been presented no better plan than the one reported by the committee. The only apparent alternatives are these:

First. To resort to appeasement.

Second. To turn this plan over to the United Nations.

Third. To seek to isolate ourselves and give only emergency relief to needy people.

Fourth. Or to resort to a substitute plan, which, however meritorious and sincere in purpose, is at best only hastily and narrowly considered.

Appeasement was not invented in 1939. It is as old as the history of man. Can anyone recall any occasion in recorded history when the appeasement of an aggressor prevented war in the end? Every time the would-be appeasers have found themselves driven to a final stand on ground far less favorable than when they began. Those apologists who suggest more moderation and understanding in our attitude toward the Soviet Union apparently see no inconsistency in the violence of the statements against us issued by the Soviet leaders. They propose to us the same often tried and always failing theory that weak men have tried again and again, to their sorrow, down through history. If it be true that a more friendly behavior on the part of this Government toward Russia will lead to the cessation of these difficulties, it does indeed seem strange that immediately after the conclusion of the recent war, when our attitude toward the Soviet Union was one of friendliness and trust, the Russian leaders took that opportunity to extend their iron control over many nations from the Baltic to the Balkans. Is there, therefore, any reason to suppose that those same leaders will now interpret a more compliant attitude on our part as anything other than a sign of weakness which would allow the further and more rapid spread of Soviet power?

Many of these same people suggest that our aid in the reconstruction program be handled through the United Nations. Without for a moment attempting to minimize the importance of the United Nations, I can only recall here that such a procedure would necessarily be foredoomed to failure, not only because of the inadequate machinery of the United Nations, but because of the existence of a veto which would unquestionably prevent any immediate or effective action. It is indeed tragic that, with our great hopes for the United Nations, we are required to admit that we must still deal with such a matter as this largely outside the machinery of the United Nations. It is encouraging, however, to note that this plan envisages the use of the United Nations machinery to every extent possible, and it is encouraging that there may well be a probability that, before the conclusion of this program, some large part can with confidence be turned over to the United Nations.

Another alternative suggested, Mr. President, is that we recall our interests to our own borders and extend only emergency relief. This proposal is based on a "live today for tomorrow we die" fatalism. It is useless, now, to dream

of isolated nations, the existence of which science has denied.

There is now no sure defense against attack. The whole world is a prospective battlefield and all the people in it are potential participants. Whether we would win or lose another war, we could look forward to the destruction of lives and property in our own cities. To wait behind our own vulnerable walls and to attempt to prepare ourselves for any onslaught would not only require the expenditures of sums that would make this appropriation minute by comparison, but would be to admit that we feel so hopeless about the prospects of peace that we do not now wish to extend any effort to secure it. We would merely be buying a little time at a terrible price.

I do not believe, Mr. President, that appeasement will work today any better than it has in history. I do not believe, Mr. President, that the United Nations is now capable of handling this pressing need. I do not believe that there is salvation in denying the facts of a world we see. I do not believe that our people are ready to accept the inevitability of war before we have made every possible careful effort to prevent it. Mr. President, I do believe we have in this European recovery program, as constructively amended and changed by our committee, a real hope for world peace.

It has never been our American way to wait for success to crown idleness. Spending dollars will not save the world, but saving dollars that must be spent will not save America. America has grown great and strong through her positive and bold investments in production, and development, and security, both at home and abroad. America has not grown strong through investments never made, chances never taken, risks never faced, or responsibilities evaded. It was not timidity or penuriousness that made us what we are now, nor will timidity or penuriousness lead us on to what we can become. Peace requires the same, or perhaps more careful planning, as does war. Peace is not a gift handed to those who only hope. Peace is the devoutly sought, and elusive reward for work, thought, generosity, determination, and sacrifice. Past history tells us that peace, though man's heartfelt wish, has never been a natural state.

Now that we have finally become capable of destroying ourselves, our will to survive demands that we make peace on earth.

There have been many arguments pro and con concerning the sum involved in this plan. None of us here knows whether the sum proposed is the correct one to the last dollar. By that I mean none of us can be certain that this sum, or any sum, will or can be, effectively used.

Mr. President, I was very much impressed by the statement of the Senator from Michigan [Mr. VANDENBERG] that this sum was at least entitled to a presumption of dependability "until more competent authority, competently proves otherwise." I must say in all frankness, Mr. President, that I have yet to hear a more competent authority competently prove otherwise. Rather than run the

risk of reducing this amount only for the sake of reduction, it seems to me we are all obligated to first provide equal study and equal proof in support of another sum. To support, now an unsupported substitute figure would reflect largely a desire to overplay the undeniably pleasant and popular role of watchdog for the public purse, but may, in fact, be a disservice to both the cause of peace and the cause of economy.

We have heard many comparisons between the cost of this program and the cost of various other normal Government activities. I do not know how one can compare the cost of the effort for peace with the cost of any other service. To base one's objection on the ground that local real-estate taxes or poll taxes or any other taxes are less than the probable cost of this program, is like saying my house cost me so much that I cannot afford to consider insurance, or taxes to support a fire department, or anything else that might help to preserve my investment.

But since these questions have been brought up, let us make some comparisons. The European recovery program involves an estimated average expense over the next 4 years of about \$32 per capita per annum. By comparison, the recent war cost Americans nearly \$700 per capita per annum and our first two postwar years of unplanned foreign doles cost about \$91 per capita per annum.

From another point of view, Federal taxes collected on liquor, tobacco, and items covered by the retail excise tax, amounted to over \$30 per annum per capita last year—almost exactly the average annual per capita cost of the European recovery program. During that year, Americans spent on the average about \$60 for liquor and nearly \$20 for tobacco. These two items alone cost the average American more than double what the proposed European recovery plan would cost.

I quote these figures simply as a matter of interest since I believe, Mr. President, that there can be no reasonable comparison between the cost of peace and the cost of any other item. We can only compare the cost of peace with the cost of war because they are the only comparables. The anticipated expense for the next war, if there has to be one, would not be a pleasant bill to contemplate.

In this consideration of the cost of the European recovery plan, I do not mean to intimate for one moment that this plan guarantees a bargain-basement peace. I am still not at the point, Mr. President, where I can regard \$5,300,000,000 lightly as simply 5.3. Nor am I under any illusion that the expenditure of that sum, or any other sum, can buy peace. Far more important is the question how that sum is to be used. If an intelligent expenditure of that amount gives us any better hope for peace than we now have, I say the investment is a good one which will have the support of the American people.

If this European recovery plan fails, Mr. President, we who shall vote for it are responsible, and I personally am prepared to take that responsibility since

I have seen nor heard no better alternative. By the same token, those who would weaken or defeat this plan must be prepared to be responsible for the consequences of that inaction. The responsibility in either case is an extremely grave one.

We have now an opportunity, won for us by those who won this war so there could be peace. It is a costly opportunity in terms of money, but one that has in it the hope of saving us from the sure folly of far greater expenditures in lives and money.

I am not under the illusion, Mr. President, that the plan will work out as ideally as it appears on paper, but it holds most encouraging possibilities.

First, it is encouraging to know that the nations of western Europe have finally come to the point of cooperation among themselves for a mutual good. That, in itself, is tremendously significant.

Second, I believe the very fact that we have before us, for the first time, a specific, clear policy, is indeed encouraging. We have finally foresaken the policy of scattering doles across the world.

Third, we have come finally to the conclusion that peace does not come from inaction and that peace must be worked for and must be built. In many ways that is more difficult than winning a war, because there is not the feeling of urgency, the total cooperation, or the willingness to sacrifice. Yet, the goal is no less devoutly sought.

Another encouraging facet of this program is the inherent understanding that there is today being practiced a new and vicious type of aggression. Until the beginning of World War II, we were familiar with only military aggression. We pledged ourselves to stop that type of aggression which is now an old-fashioned way of gaining power. The new and much cheaper way of accomplishing the same purpose is through political aggression.

In the plan now before us, Mr. President, I believe we have finally come to appreciate not only that political aggression is just as final in its outcome as military aggression, but that there are ways and means of coping with it. Parenthetically, I might say that I hope in our deliberations in the United Nations we also assign a new definition to aggression. Unfortunately, some of our people are still of the opinion that military aggression is the only type that needs to be stopped. Military aggression has stopped itself because a cheaper, easier, more modern way has been found and it is that method with which the plan now before us, Mr. President, seeks to deal.

Because we know that political slavery and economic chaos breed war, we are here seeking to use a part of our wealth to recreate freedom and prosperity and so prevent the loss of all our wealth and peace besides. It has long been an American belief that the freedom which democracy guarantees can make the world safe for peace. We cannot afford, in our own selfish interest, to stand idly by while an ideology that threatens the

freedom of men engulfs weakened nations by this new form of aggression. We cannot ignore an opportunity to preserve our own security.

This European recovery plan is a practical example in action of the American doctrine of preserving peace through freedom and economic stability. Its purpose is to inspire confidence and respect and to strengthen the bonds of common understanding. We strive to inspire good will in the world by giving off good will ourselves. This is one method of meeting the new subtle type of aggression.

In our deliberations here objections to the proposals contained in the report of the Committee on Foreign Relations are contained in two general questions: First, will this plan work; and second, will it be an undue or unwarranted strain on our own economy?

To the first, none of us can answer "Yes," but as representatives of our people having the obligation of looking after and protecting their interests, we can only say, Mr. President, that this plan appears to have the best possibilities of maintaining the peace, of stopping the advancement of dangerous ideologies by helping to rebuild sound and free governments in western Europe. I have seen or heard of no other plan which is the result of anywhere near the amount of objective thought devoted to this one, nor which has any comparable chance for success. I might say further, Mr. President, that whether or not this plan or any plan succeeds in Europe depends not so much on what we say here, as it does on what we do there.

So far as the second question is concerned, as to whether or not it will be an undue strain on our economy, again we must say we cannot be certain. But if we choose to do nothing, or if the plan does not receive the support it needs to make it work, we can be entirely sure that our economy and our very security will be far more seriously threatened. We have the careful, thoughtful, testimony of competent leaders—both in the Government and outside—who have taken every precaution to make sure that our own economy is protected, and until we have more expert authority to the contrary, it is that evidence on which I believe we are required to depend.

Mr. President, we represent in this body 140,000,000 American people who are deeply concerned about the course we shall follow in the search for peace. We bear the responsibility of the 140,000,000 Americans who are not here in this Chamber to consider what might be the most important decision in their lives. We have, fortunately, a wider opportunity for knowledge on which to base our judgment because it is our privilege and our duty to have such knowledge. We have likewise an infinitely wider responsibility. We are here, representing the people who will pay the cost of any plan we shall advocate, and we are here representing the hopes and the prayers of our worried people who are seeking a reasonable way to security.

We cannot unhold our responsibilities and our obligation to our people by turning down or weakening any plan which

has in it some real hope for peace unless we provide a better way. We are living in a hurrying age. We know that other methods have failed before—we have no time to fail again. It is my sincere hope that we will not only support fully this carefully developed plan, but that we will insist on the close supervision of it to help make its success assured.

I sincerely hope, Mr. President, that those who honestly oppose the plan will vote against it rather than weaken it to the point that its chance of success will be materially lessened or destroyed. I say that because many of us feel that here is a concrete plan that has in it a real hope for peace if put into operation immediately and wholly. There is a point at which crippling amendments or reductions in the amount of aid would so seriously damage the worth of the plan as to make it questionable whether we should proceed at all. I believe, from the exhaustive evidence presented, that that point has been substantially located by the Committee on Foreign Relations and that any other hasty amendments now can only serve the purpose of so weakening the project as to make the wisdom of our expenditures open to doubt.

This proposal, Mr. President, has been considered for many months. In the absence of comparably detailed proof to the contrary, we are now in as good a position as we ever will be to enact the measure.

The congressional committee established in the bill is specifically charged with making a "continuous study" of the plan and should provide an excellent opportunity to develop—by experience—real and sound improvements. It is for that reason, Mr. President, that I urge a vote on the pending bill at the earliest possible moment, and I earnestly suggest to those who oppose it in its present form that they turn their considerable energies and talents toward improving it at the earliest possible time through the committee provided for in the bill.

We are here as representatives of a people worried and concerned about the future of this Nation's relations with the rest of the world. I must confess, Mr. President, that while I am not pleased with the prospect of appropriating the huge amounts we are considering, and while I am convinced that in the treacherous and difficult problem of building the peace, this plan offers no absolute "money back" guarantee, there is not before us any other studied alternative that shows promise of being less costly to our people in money or more promising of success.

I shall vote for the measure, Mr. President, under no illusions. I sincerely believe that through this plan we have the opportunity of building a peaceful world, though the chance of building such an idyllic world is never great. I shall, however, Mr. President, vote for the bill, secure in the knowledge that we have taken a positive step toward peace instead of negatively insisting that there is no way. One who takes the latter position is taking upon himself a greater responsibility

and reflecting a costlier pessimism than I am willing to share.

The PRESIDING OFFICER. The bill is before the Senate and open to further amendment.

Mr. BALL. Mr. President, I wish to submit an amendment which will take but a short time to discuss. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Hatch	O'Connor
Baldwin	Hawkes	O'Daniel
Ball	Hayden	O'Mahoney
Barkley	Hickenlooper	Overton
Brewster	Hill	Pepper
Bricker	Hoey	Reed
Bridges	Holland	Revercomb
Brooks	Ives	Robertson, Va.
Buck	Jenner	Robertson, Wyo.
Butler	Johnson, Colo.	Russell
Byrd	Johnston, S. C.	Saltonstall
Cain	Kem	Smith
Capehart	Kilgore	Sparkman
Capper	Knowland	Stennis
Chavez	Langer	Stewart
Connally	Lodge	Taft
Cooper	Lucas	Taylor
Cordon	McCarran	Thomas, Okla.
Downey	McClellan	Thomas, Utah
Dworshak	McFarland	Thye
Eastland	McGrath	Tydings
Eaton	McKellar	Umstead
Ellender	Magnuson	Vandenberg
Ferguson	Maybank	Watkins
Flanders	Millikin	Wherry
George	Moore	Wiley
Green	Murray	Williams
Gurney	Myers	Wilson

The PRESIDING OFFICER (Mr. WILLIAMS in the chair). Eighty-four Senators having answered to their names, a quorum is present.

The Senator from Minnesota has the floor.

Mr. BALL. Mr. President, I call up the amendment offered by the Senator from Nebraska [Mr. WHERRY] and myself, lettered "D," and ask that it be read.

The PRESIDING OFFICER. The amendment will be read.

The CHIEF CLERK. On page 21, after line 18, it is proposed to insert a new subsection, as follows:

(d) (1) Of the funds authorized under this act no greater amount shall be expended for the furnishing or making available to participating countries of food, medical supplies, processed and unprocessed materials for clothing, fuel, pesticides, and other relief supplies or assistance than the amount specified in the aggregate for such purpose in the acts making such appropriations.

(2) None of the funds authorized or made available under this act (other than amounts specified pursuant to paragraph (1)) shall be available for extending assistance to any participating country except in accordance with specific projects submitted to and approved by the Administrator pursuant to section 15 (b) (1). Notwithstanding the provisions of paragraph (1), any of the funds authorized or made available by this act may be used for the furnishing or making available to a participating country of food, medical supplies, processed and unprocessed materials for clothing, fuel, or pesticides if (A) such articles are allocated to a specific project submitted to and approved by the Administrator under section 15 (b) (1), and (B) the Administrator determines that such allocation is necessary to the successful carrying out of such project.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Min-

nesota for himself and the Senator from Nebraska [Mr. WHERRY].

Mr. BALL. Mr. President, I realize the many other obligations which Members of the Senate have, but I agree with the Senator from Michigan [Mr. VANDENBERG] and the Senator from Connecticut [Mr. BALDWIN], who just spoke, that the issue now before the Senate is probably by all odds the most important and most far-reaching one which will be considered at the present session of Congress. Perhaps a majority of the Members of the Senate have already made up their minds on all the issues which will be presented in the various amendments, and I realize they have committee meetings and other obligations. But I think it is unfortunate that when we are considering an issue of this importance it is virtually impossible to keep more than a dozen or 20 Senators on the floor of the Senate to hear the discussion in regard to what the bill means and what the specific amendments which are proposed mean. It is difficult for me to understand how Senators can vote intelligently on these issues without hearing at least some of the discussion.

It is my purpose to discuss this amendment very briefly, and then to have the Senate proceed to vote as soon as possible.

Mr. President, the amendment which is pending has two purposes. The first is to separate relief funds and economic-recovery funds, and to specifically authorize the Congress and the Appropriations Committees and the bills making the appropriations authorized by this proposed act to make a separate appropriation for relief purposes—in other words, for the food, fuel, pesticides, fertilizer, and urgent medical supplies necessary to sustain the economies of the recipient countries at a minimum level—and then to make a separate appropriation earmarked for economic-recovery purposes.

The second purpose would be to channel the funds which are earmarked for economic-recovery purposes into specific projects or programs approved by the Administrator and submitted by the recipient countries and designed to increase the vital production of the recipient countries.

Mr. President, it seems to me that if this aid program is to turn out in its operation to be any different from the aid programs in which we have participated in the past 2½ years to the total of \$16,000,000,000 or \$17,000,000,000, the surest way to assure that result is deliberately to separate the relief funds from the economic-recovery funds appropriated under this program. I think most of us here feel that the relief and rehabilitation programs of aid through grants, loans, and so forth, in the past have not achieved their objective of stimulating recovery, but in most instances have turned out to be merely a goal, with the recipient country very little better off after receiving the aid than it was before receiving it.

One sure way to make certain that at least some of the funds appropriated pursuant to the authorization here proposed will actually go into products that are designed to increase production and

really bring about economic recovery in the recipient country is to see to it that the funds are allocated pursuant to specific projects for that purpose, as submitted to and approved by the United States Administrator as likely to achieve those objectives. In that way we shall make certain that at least some portion of this aid program will actually flow into recovery projects.

Mr. President, in using the words "specific projects," which appear elsewhere in the bill as it now stands, the sponsors of the pending amendment do not mean to apply a very restrictive meaning to the word "project"; in other words, to tie it down to a specific proposal relating to a single company or plant or producer. What we are thinking of are projects aimed at bringing up the level of production, industry by industry.

All the reports from Europe indicate that there are four vital bottlenecks which are slowing them down and which set the pace for recovery. Those four bottlenecks are in coal, steel, transportation facilities, and food production. It is our hope—and I think the idea is spelled out elsewhere in the proposed act—that the Administrator will seek specific projects aimed at breaking the bottlenecks by increasing production; for instance, in the Ruhr Valley and in the bizon or trizon of Germany, where a large proportion of the coal of western Europe is produced, and where at present there is not sufficient coal produced to operate even a minimum economy, let alone to stimulate recovery. We are shipping millions of tons of coal from the United States, necessitating a long ocean haul.

A project to stimulate increased production of coal in the Ruhr Valley might involve first increasing the food rations of the men employed to mine the coal. The food ration in Germany at present is the same for all people. It is, I think, around 1,700 or 1,800 calories a day. I do not think anyone believes that a man can mine coal and do heavy work of that kind on 1,800 calories a day. The first objective, possibly on an incentive basis, would be to increase food rations as the coal production increases. It might be necessary to provide other goods, such as clothing, blankets, furniture, and things of that kind, to offer incentives to miners to increase their own efforts. Finally, there might be a need of additional mine machinery, perhaps supplies of timber, and steel products; but the whole thing would be an integrated-project program to increase coal production in the Ruhr by a certain percentage within a specified time. The Administrator would approve the project; funds with which to buy the commodities allocated to it would come out of funds appropriated by the Congress under subsection 2 of the amendment, and as I understand he would have authority under bilateral agreements to follow through and see that the commodities and services we furnished actually went into the approved projects.

Subsection 1 relates to relief supplies. Subsection 2, on page 2 of the amendment, provides that where a specific project calls for so-called relief type

goods, additional supplies of food or clothing or even tobacco for incentive purposes to bring about increased production, may be included under the recovery project.

I think, Mr. President, that is the entire picture of the amendment and its purposes. As I understand the pending plan, something along this line is what is contemplated. I submit that it is not clear in the bill, and that under the bill as it now stands we could go right on in effect underwriting a trade deficit, with no assurance whatever that any of the supplies we furnished would actually find their way into projects which would build economic recovery in Europe by increasing their own production. The whole aid measure, as I understand it, would provide only 5 percent of the total consumption of the recipient countries. They must provide the other 95 percent, and they must also build up their production in order to close the 5 percent gap, if the program is to stand a chance of success and be anything more than another dole.

Mr. VANDENBERG. Mr. President, I comment very briefly on the statement made by my able friend from Minnesota. I comment first on the latter part of his statement. As I understand the second section of the amendment, the chief difference between his approach and the approach of the bill as reported is that in the amendment submitted by the Senator, on behalf of himself and the Senator from Nebraska, it is required that all recovery aid be channeled into what he calls specific projects. That is the only point at which the authors and sponsors of the bill completely disagree with the amendment and find it unacceptable. So far as the general objective is concerned I think it is already spelled out in the bill itself, according to the precise aspiration that my able friend from Minnesota has indicated. Every time I refer to the amendment it is to be understood that I am referring to the amendment proposed by the Senator from Minnesota [Mr. BALL] for himself and for the Senator from Nebraska [Mr. WHERRY].

The general functions of the Administrator described in line 8 include language in the nature of a directive to formulate the programs of the United States assistance under the act, including approval of specific objects which have been submitted to him by the participating countries. Turning then to page 28, commencing in line 19, among the requirements of bilateral and multilateral undertakings, there is found the following language:

And submitting for the approval of the Administrator * * * specific projects proposed by such country to be undertaken in substantial part with assistance furnished under this act, which projects, whenever practicable, shall include projects for increased production of coal, steel, transportation facilities, and food.

I may say parenthetically at that point that my friends from Minnesota and Nebraska will remember that in the first conference we had in my office regarding the bill as it came down from the State Department, requests were submitted to me by the group in respect to

this general subject. I am sure the Senator from Minnesota will gladly concede that the bill as rewritten is a substantial improvement in the direction which he indicates over the original bill, because it recognizes specific projects as essential. It underscores specific projects as being peculiarly and particularly desirable.

Then, to meet the viewpoint of the Senator from Illinois, projects for increased production of coal, steel, transportation facilities, and food were specifically identified. The Senator will recall the source of that suggestion. So I think that my able friends who are sponsoring the amendment should not feel that their interests and their efforts in this behalf have been in vain, because I respectfully submit that the bill already goes just as far as it is practicable to go in the direction that the amendment proposes.

The only point at which we unavoidably disagree is that the amendment will require that all recovery shall be channeled through specific projects. I respectfully submit that is completely impossible. For instance, suppose the economy of X country shows a deficit of 5,000 tons of brass. That deficit may cover 150 individual plants, or it may be a partial brass deficit in each plant. The brass which is necessary to balance the economy and permit the operation adequately to proceed loses its identity and is mingled with the brass which has been purchased by the available local resources of the individual plants to which a portion of the 5,000 tons is assigned. Using brass simply as an example, I do not see how we can identify each one of the 150 plants which are involved in the brass deficit. On the contrary, it is obviously a physical impossibility to do so. It seems to me we have collided with the fundamental purpose of the bill itself if we confine our recuperative aid simply to great, single, individual projects and not pour it into the mass economy of the Nation. From my point of view, it is impossible to pour it into the mass economy of the Nation by requiring that it be used exclusively in specific projects. Yet I want to repeat that the desirability of specific projects is clearly underscored in the other sections of the bill which I have read.

So far as the first section of the amendment is concerned, in which an effort is made sharply and conclusively to divide relief and recuperation, I think, under the concept of the bill, that is a physical impossibility also. The Senator himself has referred to the fact that in the Ruhr, for instance, incentive food rations may be of the greatest possible utility by way of encouraging production. The Senator has written an exception in the second section to cover that particular circumstance. It is my observation, in dealing with a problem of this nature, that there are so many unanticipated contingencies that it is a dangerous thing to attempt to rely upon our genius in anticipating the particular exceptions which need to be identified under such circumstances. I respectfully submit to my friend from Minnesota that there are probably many cases as to

which, if he knew about them—and they will inevitably develop—he would readily admit that if he had foreseen them he would have wanted to include them among the exceptions when he was attempting to discriminate between relief and recuperation.

For instance, cotton to cover the backs of the people would be for relief; cotton to permit continuation of industrial activity and to create exports would be for recuperation. As I see it, it is not in the cards to attempt to draw a hard and fast line between relief and recovery in the text of the bill.

Under the circumstances which I have indicated, I am sorry that I have to urge the Senate not to agree to the amendment.

Mr. BALL. Mr. President, will the Senator yield further?

Mr. VANDENBERG. Yes, indeed.

Mr. BALL. I discussed this question with the drafting counsel of the Senate, who was of the opinion that, even without these separations, if Congress actually wanted to do so and the Appropriations Committee saw fit, separate appropriations could be made for the relief type of case and the recovery type of case. Would the Senator agree with that statement?

Mr. VANDENBERG. That is a legal question upon which I would not want to pass. I recognize very wide and ominous jurisdiction in the Appropriations Committee, however.

Mr. BALL. Mr. President, I merely want to say, briefly, that, much as I dislike to disagree with the distinguished Senator from Michigan, it seems to me that his own argument has made it very clear that unless Congress does become specific in the bill the whole plan and program of action under it will turn out to be largely or almost exclusively an underwriting by the United States of anticipated trade deficits of recipient countries.

Mr. VANDENBERG. I neglected to say one thing to the Senator by way of further demonstration of my anxiety to go just as far as possible in underscoring the objectives to which the Senator addresses himself. The Senator has another amendment, which is lettered C, which proposes, on page 17, after line 2, to insert an additional category, reading as follows:

(6) the allocation of commodities or services to specific projects designed to carry out the purposes of this act, which have been submitted to the Administrator by participating countries and have been approved by him.

The Senator from Nebraska [Mr. WHERRY] also joins in that amendment. Mr. WHERRY. That is correct.

Mr. VANDENBERG. While the changes on page 2 of the amendment would not be acceptable, if the Senator wishes to insert the language I have just read as a further effort to identify the desirability of project planning, so far as the Senator from Michigan is concerned he would be very glad to accept that portion of the amendment.

Mr. BALL. I thank the Senator from Michigan. I am very happy to find some change which the Senator does not

veto. I think it would help to emphasize my own feeling and that of the Senator from Nebraska [Mr. WHERRY] that the more assistance that can be channeled into specific projects the better chance we have of achieving the objective of economic recovery.

Mr. VANDENBERG. How would it be if we settle on the basis I have indicated?

Mr. BALL. I rather think, Mr. President—

Mr. WHERRY. If the Senator would take amendment D it would be better than to settle on the other.

Mr. BALL. Unfortunately the other amendment is not pending at the present time. I shall offer it when we dispose of the first amendment.

Mr. VANDENBERG. I withdraw my proposal for the moment.

Mr. BALL. Very well.

Mr. President, I desire to emphasize that, in view of our past experience with foreign-aid programs, it seems to me that unless Congress spells out very specifically what it intends, unless we get away from the concept of simply giving a blanket underwriting to the trade deficits of the recipient countries, our chances of achieving the objective of economic recovery are not too bright.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Minnesota [Mr. BALL] for himself and the Senator from Nebraska [Mr. WHERRY]. The amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. BALL. Mr. President, on behalf of myself and the Senator from Nebraska [Mr. WHERRY], I offer our amendment lettered "C," modified by striking out all the matter appearing on page 2 of the amendment.

The PRESIDING OFFICER. The clerk will state the amendment.

The CHIEF CLERK. On page 15, line 14, it is proposed to strike out "(5)" and insert "(6)", and on page 17, after line 2, insert the following:

(6) the allocation of commodities or services to specific projects designed to carry out the purposes of this act, which have been submitted to the Administrator by participating countries and have been approved by him.

Mr. VANDENBERG. Mr. President, I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. WHERRY. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Capper	Green
Baldwin	Chavez	Gurney
Ball	Connally	Hatch
Barkley	Cooper	Hawkes
Brewster	Cordon	Hayden
Bricker	Downey	Hickenlooper
Bridges	Dworshak	Hill
Brooks	Eastland	Hoey
Buck	Ecton	Holland
Butler	Ellender	Ives
Byrd	Ferguson	Jenner
Cain	Flanders	Johnson, Colo.
Capehart	George	Johnston, S. C.

Kem	Murray	Stennis
Kilgore	Myers	Stewart
Knowland	O'Connor	Taft
Langer	O'Daniel	Taylor
Lodge	O'Mahoney	Thomas, Okla.
Lucas	Overton	Thomas, Utah
McCarran	Pepper	Thye
McClellan	Reed	Tobey
McFarland	Revercomb	Umstead
McGrath	Robertson, Va.	Vandenberg
McKellar	Robertson, Wyo.	Watkins
Magnuson	Russell	Wherry
Maybank	Saltonstall	Wiley
Millikin	Smith	Williams
Moore	Sparkman	Wilson

The PRESIDING OFFICER. Eighty-four Senators having answered to their names, a quorum is present.

INVESTIGATION OF SOCIAL-SECURITY PROGRAM—INCREASE IN LIMIT OF EXPENDITURES

Mr. BROOKS. Mr. President, before I offer an amendment to the pending bill and ask for its consideration I desire to report favorably two resolutions, and ask for their present consideration. In order that I may do so, I ask unanimous consent that the unfinished business be temporarily laid aside. The resolutions are routine, were unanimously approved by the Rules Committee, and I believe there will be no controversy about them.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Illinois? The Chair hears none, and it is so ordered.

Mr. BROOKS. Mr. President, from the Committee on Rules and Administration, I ask unanimous consent to report favorably, without amendment, Senate Resolution 202, and I request its immediate consideration.

There being no objection, the resolution (S. Res. 202), submitted by Mr. MILLIKIN on February 20, 1948, and referred to the Committee on Finance, was considered and agreed to, as follows:

Resolved, That the limit of expenditures authorized under Senate Resolution 141, Eightieth Congress, agreed to July 23, 1947 (authorizing an investigation by the Committee on Finance of old-age and survivors' insurance and other aspects of the social-security program), is hereby increased by \$25,000.

ADDITIONAL EXPENDITURES BY COMMITTEE ON APPROPRIATIONS

Mr. BROOKS. Mr. President, from the Committee on Rules and Administration, I ask unanimous consent to report favorably, without amendment, Senate Resolution 201, and I request its immediate consideration.

There being no objection, the resolution (S. Res. 201), submitted by Mr. BRIDGES on February 17, 1948, was considered and agreed to, as follows:

Resolved, That the Committee on Appropriations hereby is authorized to expend from the contingent fund of the Senate, during the Eightieth Congress, \$10,000 in addition to the amounts, and for the same purposes, specified in section 134 (a) of the Legislative Reorganization Act approved August 2, 1946, and S. Res. 130, agreed to June 26, 1947.

EXTENSION OF AUTHORITY OF SPECIAL COMMITTEE TO STUDY PROBLEMS OF AMERICAN SMALL BUSINESS ENTERPRISES

Mr. BROOKS. Mr. President, from the Committee on Rules and Administration, I ask unanimous consent to

report favorably, without amendment, Senate Resolution 191, and I submit a report (No. 982) thereon. I request that the resolution be placed on the calendar. The resolution was unanimously ordered reported by the committee.

The PRESIDING OFFICER. Without objection, the report will be received, and the resolution will be placed on the calendar.

Mr. WHERRY. Mr. President, is it the Senator's intention to ask immediate consideration of the resolution?

Mr. BROOKS. I shall be glad to ask immediate consideration for it.

Mr. President, I ask immediate consideration of the resolution.

The PRESIDING OFFICER. The resolution will be read for the information of the Senate.

The resolution (S. Res. 191) was read, as follows:

Resolved, That the authority conferred by Senate Resolution 20, Eightieth Congress, agreed to January 24, 1947 (creating a Special Committee To Study the Problems of American Small Business Enterprises) and continued by Senate Resolution 153, Eightieth Congress, agreed to July 26, 1947, is hereby continued until the expiration of the Eightieth Congress.

Such committee is hereby authorized to expend from the contingent fund of the Senate \$50,000, in addition to the amounts heretofore authorized for the same purposes.

The PRESIDING OFFICER (Mr. LODGE in the chair). Is there objection to the present consideration of the resolution?

Mr. McCARRAN. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. WHERRY. Mr. President, may the calling of the roll be suspended for a moment, so that I may propound a question?

Is it anticipated that there will be objection to consideration of the resolution? I do not wish to force immediate consideration of the resolution if there is to be any objection.

Mr. McCARRAN. I think there should be objection until a greater number of Senators can be present and we can know what it is all about. I propose to object to that extent.

Mr. WHERRY. I shall be glad to ask that the resolution go to the calendar if it is anticipated that there will be any objection.

Mr. McCARRAN. It should go to the calendar.

The PRESIDING OFFICER. Does the Senator from Nevada ask that further proceedings under the quorum call be dispensed with?

Mr. McCARRAN. I shall be glad to do so if the resolution goes to the calendar.

Mr. WHERRY. Mr. President, I ask that the resolution go to the calendar and come up in its regular turn.

Mr. McCARRAN. Then I ask unanimous consent that further proceedings under the quorum call be dispensed with.

The PRESIDING OFFICER. The resolution will go to the calendar.

Without objection, further proceedings under the quorum call are dispensed with.

EUROPEAN RECOVERY PROGRAM

The Senate resumed the consideration of the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world.

Mr. BROOKS. Mr. President, on behalf of the Senator from Nebraska [Mr. WHERRY], the Senator from Kansas [Mr. REED], the Senator from Maine [Mr. BREWSTER], the Senator from Minnesota [Mr. BALL], the Senator from Washington [Mr. CAIN], the Senator from Wyoming [Mr. ROBERTSON], the Senator from Idaho [Mr. DWORSHAK], the Senator from New Jersey [Mr. HAWKES], the Senator from Nebraska [Mr. BUTLER], the Senator from Nevada [Mr. MALONE], the Senator from Montana [Mr. ECTON], the Senator from Utah [Mr. WATKINS], and myself, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Illinois on behalf of himself and other Senators will be stated.

The CHIEF CLERK. On page 11, beginning with line 8, it is proposed to strike out down through and including line 5 on page 12, and insert in lieu thereof the following:

UNITED STATES SPECIAL REPRESENTATIVE ABROAD

SEC. 8. There shall be a United States Special Representative in Europe who shall (a) be appointed by the President, by and with the advice and consent of the Senate, (b) be entitled to receive the same compensation and allowances as a chief of mission, class 1, within the meaning of the act of August 13, 1946 (60 Stat. 999), and (c) have the title of Agent General for Economic Cooperation. He shall be the chief representative of the Administrator to any organization of participating countries which may be established by the participating countries to further a joint program for European recovery, coordinate the activities of the Special Economic Cooperation Administration missions provided for in section 9 of this act, and shall discharge in Europe such additional responsibilities as may be assigned to him by the Administrator with the approval of the President in furtherance of the purposes of this act. He may also be designated as the United States representative on the Economic Commission for Europe. As Agent General of the Administrator, he shall keep the chiefs of the United States diplomatic missions currently informed concerning his activities.

Mr. BROOKS. Mr. President, the purpose of this amendment is to give force and effect to the desire of a great many people to have the provision for recovery in Europe placed in the hands of the Administrator and his representative.

There is great confusion about the Marshall plan. It is mixed up with strategic effort. It is mixed up with charity contributions. It is mixed up with economic loans; and now we are going to confuse it that much more by placing in Europe a special, over-all individual who will carry the rank of Ambassador Extraordinary and Plenipotentiary. The emphasis is to be on that individual.

A great many of us have a desire to help in the recovery of Europe; but, in

my judgment, the recovery can be brought about only by the intelligent administration of this latest program by persons who have individual initiative, and are skilled in matters pertaining to production in agriculture, in labor, and in industry. If we create the office of Administrator, and create economic missions abroad, all under the diplomatic missions abroad, and then place over the entire program a new character with the supertitle and responsibility and authority of special ambassador, in my judgment we shall nullify all the effect of creating a business administration.

Much has been said in the press and on the floor of the Senate to the effect that now we are to have a business administrator, and that he must be a man of the highest type, with the highest qualifications and understandings. There has been written into the bill the purpose to create that kind of official; but with one section we superimpose a special ambassador over him. The situation is further confused, and no one will know what part of the program is to be devoted to the strategic effort, the political activity, the charity, or the business recovery which the recipient nations need.

There are some who feel that it is necessary to have stable governments in order to have a stable economy. In my judgment, that process must be reversed. We must have a stable economy, or a stable government cannot exist. A stable government cannot rest on an unsound foundation.

In the past too much emphasis has been placed on special representatives who have not been attuned to the necessity for business management in Europe. We have given lip service to the development of production of food, steel, coal, and transportation; but over the entire program we place a political figure. We have given emphasis to the trade-union movement and the council of governments, with a political head. My judgment is that unless we have the business brains of the Nation behind the coordination of agriculture and labor, this effort will be merely another political move, and we shall not get the result through diplomacy that we can get through hardpan of production. The minds of the men who produce in this country must be brought to bear on the problem, because we must drain the resources of the Nation. If we are to operate this kind of a program, it must be maintained by business ingenuity.

My thought is that we might at least once try to have a business management in the recovery program; and for that reason I offer the amendment.

Mr. VANDENBERG. Mr. President, there is very little difference between the Senator from Illinois and the Senator from Michigan in respect to most of the things which he has said, and most of the things to which he addresses his amendment. However, I am sorry to say that the difference, though relatively small, is pretty important. Let me make a brief statement to the Senate.

Perhaps I should preface my statement by once more underscoring the fact that I agree with everything the Senator from Illinois has said about the necessity

for preserving maximum economic autonomy for the economic administrator under this act. I think I can prove by the text of the bill that the Senator from Michigan is rendering something more than lip service to that ideal—to use the words of the Senator from Illinois—because every possible effort has been made to emphasize the necessity for the economic autonomy of the Administrator.

The difficulty with which the Senator from Illinois and I collide at this moment is the fact that, in spite of all the emphasis upon the indispensable economic independence of the Administrator, despite that economic necessity, there is another contact inevitably involved in this enterprise if we are to hope to succeed with it, namely, the creation of a new governmental coordination in Europe, which is not a matter of economics at the top, even though it is at the bottom. Therefore the top representative abroad must not only be economically sufficient unto the occasion, but he also be in a position to deal at the top level with the heads of government in the 16 CEEC nations if we are successfully to pursue our desire to create constantly expanding contacts between them, and to create, so far as possible, what Mr. Bévin has called a Western Union or something comparable.

In evolving those contacts, Mr. President, it is absolutely necessary that this top representative abroad should have maximum diplomatic status for the exercise of that particular function. He must be an ambassador in rank, on a par with every other diplomatic representative with whom he must deal. He cannot enter the top-level government of France, for instance, to discuss a customs union successfully, if all that he is called is simply agent general of the Administrator."

Mr. BALL. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. BALL. Is the Senator telling us that the top-level government officials in the countries which are to receive hundreds of millions of dollars of assistance under this act would refuse to talk to the American representative who had something to say about how that money should be spent and how the aid should be given, simply because of a question of title?

Mr. VANDENBERG. Certainly not, and I am sure the Senator from Minnesota knows that I mean nothing of the sort. But there is such a thing as protocol in the world. Much as we may dislike it, there is such a thing. I think it requires no evidence to demonstrate that when a diplomatic representative of the United States is engaged upon an important mission, he must have a protocol status comparable with the importance of his mission. Certainly he would have no protocol status whatever if he were simply to be called the agent general of the Administrator.

However, all that is superficial. There are two or three things in this amendment which are perfectly sound. The objective to which the Senator from Illinois addresses himself, aside from the

first question to which I have adverted, I am quite willing to consent to. But, so far as the right of the President of the United States to speak to the heads of governments in the CEEC countries is concerned, so far as concerns the possibility of having the President speak adequately to the heads of other governments, in diplomatic contact, he is entitled to have what protocol always has required, still requires, and undoubtedly always will require, unless the whole world is sovietized, namely, an ambassador representing the President of the United States in that particular aspect.

The point I am trying to make is that that aspect of the job to be done by this representative is minor, in respect to the larger aspect which the Senator from Illinois emphasizes; and I am about to demonstrate that I think it is entirely possible still to permit this representative to meet, in terms of protocol, on a level with other high representatives of government in respect to these contacts involving governmental coordination. I think it is entirely possible to do that without changing the title; and I am sure the title will have no effect upon the net result, if I continue with my discussion to indicate the points on which I agree with the Senator from Illinois.

Mr. BROOKS. Mr. President—

Mr. VANDENBERG. I yield to the Senator from Illinois.

Mr. BROOKS. I wish to ask whether the Senator feels that the President at this particular time has adequate agents, on the basis of protocol, to speak with other governments anywhere in the world, perhaps with the exception of Russia, on matters of cooperation.

Mr. VANDENBERG. I think when the bill puts all emphasis upon the coordination of the 16 governments—in customs unions and in evolutions of kindred sorts in other directions—if we mean what we say in respect to the importance of coordination between the 16 nations, we should do them the very elementary honor of creating an ambassador to them as a unit.

Mr. BROOKS. Mr. President—

Mr. VANDENBERG. I yield further to the Senator from Illinois.

Mr. BROOKS. I should like to point out that, although it is only in one section that this special ambassador is emphasized, according to what the Senator from Michigan has just now stated, that person is the over-all and all-important creation of this entire bill, for he will then represent and supersede the Administrator, the diplomatic ambassadors, the economic missions, and the Administrator here at home. He will be the highest protocol; and if my judgment is correct, he will have the most influence in this entire matter. Certainly, that puts it in the realm of protocol and out of the realm of business administration, in my judgment.

Mr. VANDENBERG. Mr. President, I happen to disagree totally with my able friend the Senator from Illinois. It certainly puts the ambassador, as the representative of the President of the United States, in diplomatic contacts, and in diplomatic contacts only, in a position of priority. Because of that fact and be-

cause he should not have a similar priority in respect to the operations of the all-important economic side of this enterprise, I am about to indicate to the Senator from Illinois, in clear proof, that I am quite willing, so far as I am concerned, to meet his objective.

His pending amendment has three objectives. The first is to change the title. I think we already have put entirely too much emphasis on the question of title. I wish to make it plain that although we feel that the title is essential, I would say that is one of the secondary purposes of the Senator's amendment.

The two principal purposes of the Senator's amendment—and I hope he will correct me if I am wrong—are, first, to make sure that this United States Special Representative is the Administrator's man. That is No. 1. No. 2 is to make sure that among his other tasks is that of coordinating the economic missions.

Am I correct?

Mr. BROOKS. Yes; that would be the purpose.

Mr. VANDENBERG. Let me show the Senator how, with my complete consent, he can do both of those things without any further controversy or debate. So far as the Senator from Michigan is concerned, on page 11, section 8, line 16, delete the words "the chief United States representative", and after the word "be" insert the following: "the representative of the Administrator, and shall also be the chief representative of the United States Government", so that the sentence will read:

There shall be a United States Special Representative in Europe who shall (a) be appointed by the President, by and with the advice and consent of the Senate—

And so forth.

He shall be the representative of the Administrator, and shall also be the chief representative of the United States Government.

Mr. President, I shall go a little further. On page 11, section 8, line 23, after the sentence indicating that he shall be the United States representative on the Economic Commission for Europe, the Senator from Michigan is prepared to accept the following sentence:

He shall receive his instructions from the Administrator, and such instructions shall be prepared and transmitted to him in accordance with procedures agreed to between the Administrator and the Secretary of State in order to assure appropriate coordination as provided by subsection (b) of section 5 of this act.

Then, meeting the second objective:

He shall coordinate the activities of the chiefs of the special mission provided for in section 9 of this act.

The last sentence directly and unequivocally responds to the second objective of the Senator's amendment.

Mr. WATKINS. Mr. President, will the Senator yield?

Mr. VANDENBERG. Just a second, please, and then I shall be glad to yield. The first sentence equally clearly meets the situation, with the exception, if it is an exception, that it textually recognizes the possibility of a conflict between the Secretary of State and the Administrator, and again refers such a conflict to the President of the United States to be

umpired. So far as the Senator from Michigan is concerned, I respectfully submit that I have demonstrated my agreement with the objectives of the proposal of the Senator in every aspect except the change in title.

Mr. WATKINS and Mr. CAIN addressed the Chair.

Mr. VANDENBERG. I yield first to the Senator from Utah.

Mr. WATKINS. What will be his relationship to the Secretary of State under the amendment suggested by the Senator from Michigan?

Mr. VANDENBERG. He is the representative of the Administrator under procedures—perhaps I had better read it literally—

agreed to between the Administrator and the Secretary of State, in order to assure appropriate coordination as provided.

In diplomatic matters he is the representative of the President, acting through the Secretary of State, I suppose, as his representative. In all matters in the first instance, however, he is under the orders of the Administrator, and if there is any clash between the two, the President decides.

Mr. WATKINS. May he receive any of his orders from the Secretary of State?

Mr. VANDENBERG. Only in agreement, as indicated, with the Administrator.

Mr. WATKINS. I wanted to be sure that we got the interpretation on that point by the chairman of the Senate Committee on Foreign Relations. In his principal capacity, then, he will be acting for the Administrator and not for the Secretary of State, will he not?

Mr. VANDENBERG. The Senator is correct.

Mr. WATKINS. On all matters of policy with relation to the program, he will be acting for the Administrator, not for the Secretary of State, will he not?

Mr. VANDENBERG. No, indeed. The Senator is now taking in all questions of policy involved. That is not true.

Mr. WATKINS. I wanted to get the extent to which he might go.

Mr. VANDENBERG. There are inevitable diplomatic relationships between the 16 countries to be encouraged and stimulated through the usual methods of contact between governments. That is not primarily the Administrator's business; that is primarily the business of the President, acting through his Department of State. But at all times the Administrator has the priority under the agreement which I have indicated.

Mr. WATKINS. He will outrank, then, the representatives we now have to the various 16 nations, will he not?

Mr. VANDENBERG. I do not know what his relative rank would be, so far as they are concerned.

Mr. WATKINS. Would there be any prospect or probability of conflict between him and them, in representing the State Department in the several nations?

Mr. VANDENBERG. I think not. I know of no reason why there should be, because his mission is very specific. It relates to the multilateral relationships, speaking now diplomatically, between the nations.

Mr. WATKINS. I thank the Senator.

Mr. CAIN. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield to the Senator from Washington.

Mr. CAIN. As one of the cosigners of the amendment, I think the Senator's first sentence in the proposal of the Senator from Michigan meets in major proportion the fear that some of us have had. It seems to tie up the administration of the program, both foreign and domestic, to one man. But if that is a correct contention, I wonder what the thinking of the Senator from Illinois is on the question of whether or not the second sentence proposed by the Senator from Michigan is in fact necessary. If the administrator abroad, whatever his title may be, receives his economic instructions from the Administrator in this country, why should it be necessary to say that, abroad, he shall coordinate the 16 economic missions? I am not clear in my own mind, and I should like to have a further exploration of that subject.

Mr. VANDENBERG. I agree with the Senator from Illinois; I think he should coordinate them.

Mr. CAIN. I agree that he should coordinate them, but the representative abroad is going to receive his instructions from the Administrator at home, and why therefore is it said in the second sentence what he shall do, when the Administrator in this country is going to tell him what to do?

Mr. BROOKS. The purpose of my amendment, I may say to the Senator from Washington, is to have a business representative on the other side, representing a business administrator on this side. With that in mind, I provided in my amendment that as a business administrator he should coordinate the economic missions in the various countries.

I thank the distinguished chairman of the Foreign Relations Committee for accepting certain of the principles of this amendment, but I still say that the super ambassador is going to be more involved with the political aspects than he is with the cold business aspects, and that is the one thing we have lacked. We are not too brilliant politically anywhere in the world, as our present situation shows. If we are brilliant in anything it is in adhering to the private enterprise system, it is in adhering to a form of government that guarantees individual initiative. I should like to have brains of that type at the top of an organization that spends my money in Europe. I recognize what the distinguished chairman of the Foreign Relations Committee says, that it might be well to create a super ambassador to deal on the highest levels, but we are talking about recovery now, we are talking about a business administration; and I should like to have a real business administrator on the other side.

This is going to be a major operation, if it succeeds. It calls for the highest type of business administration, and if, with the money in his pocket, this super ambassador were sitting in a meeting, the gentlemen of protocol would search him out, and if they thought they were

not going to get enough, they would use a lot of diplomatic language explaining why they were wasting our money. I should like to have this official devote his major attention to being the representative of a real administrator on this side in the effort to coordinate economic business organizations in those countries, and not have him serve as a super diplomat, because the two things simply do not go together. Eventually, the emphasis will be on the diplomatic side. I have no quarrel with the State Department's diplomacy, except to say that it has made a mess of things almost everywhere in the world at the present time, and I should like now to make sure that the people in the recipient nations will produce the things which are needed. I think a hard-headed businessman who is not tied to super protocol could talk a little plainer and say, "My responsibility is not diplomatic; my responsibility is to see that you put your people to work, that I do not spend America's money on subsidizing socialistic schemes, and that production is obtained. I have got to report back to America on what I am here for, not for diplomacy but to have a proper administration of funds." That is what I am striking at, and that is what I honestly, and sincerely hope will come out of this program.

I say again, I think the Chairman of the Foreign Relations Committee has very generously recognized that there is not sufficient emphasis on the Administrator. When we put one man in a dual capacity and give him the title for reasons of protocol, the emphasis is going to that end. We want to stress a point of view which has not been stressed heretofore in the expenditure of America's moneys across the face of the earth. I may say to my distinguished colleague from Washington that I would rather have an understudy undertake to bring about coordination rather than to have the coordinator do it if his emphasis is going to be on the political angle rather than on the business angle.

Mr. CAIN. Yet, the amendment recommended by the Senator from Michigan recognizes, does it not, in major part, our objections to the bill as it now stands? If, however, it should result in a man's carrying a dual responsibility, it says, with reference to his economic responsibility, that it shall be tied up to our major concern, which is the Administrator in this country.

Mr. BROOKS. It does recognize it, and I thank the distinguished Senator from Michigan for recognizing it. But I say it does not go far enough. I have no objection to the President's sending anyone with any title which may be created, but I want to have some hold onto the money and not have it tied up on a diplomatic basis. They will not get down to hardpan in production and recognize the cold facts of efficiency if we are to have a supervisor wrapped up in the diplomatic relationship.

Mr. AIKEN. Mr. President, may I ask a question?

Mr. BROOKS. Certainly.

Mr. AIKEN. Does the Senator have any doubt that the whole matter is not

to be in complete control of the Administrator? Has he received an impression to that effect from reading the bill?

Mr. BROOKS. From the information which went out that we are to put emphasis on business administration—

Mr. AIKEN. It is provided that whenever the Secretary of State believes that any action on the part of the Administrator is inconsistent with the foreign policy, he shall consult with the Administrator, and if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision. Does the Senator know of a single case in which the State Department has had a dispute with any other agency of Government and has gone to the President, that the State Department has not been sustained? Does he know of a single instance?

Mr. BROOKS. I suspect that is true. I know of no such instance. But what I want to point out is that, if there be a difference of opinion, I should like to have somebody of top-level category over there representing the viewpoint of one side, and not have it all tied up in one superambassador.

Mr. AIKEN. Has the Senator any assurance that whoever may be appointed Administrator will not be very close to the State Department?

Mr. BROOKS. I have no assurance of it at all. We have not had much of the legislation we have enacted carried out in the spirit in which it was enacted. I have no idea that this will be much different, but I should like to emphasize the point and give them a chance to have a little different approach to the problem.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BROOKS. I yield.

Mr. TAFT. I think there is a substantial difference on the question of the role of the State Department. I would agree with the Senator from Vermont as to that. I think the great thing which has been done has been to take away from the State Department the administration of the relief program. I think the committee has done an extraordinary job. Regardless of the fact that the President may decide between the State Department and the Administrator in favor of the State Department, or he may not so decide, at any rate the man who argues with him is on an equal basis with the Secretary of State. So I think it is a very substantial change and one which I think makes the bill infinitely more acceptable.

Coming to the amendment offered by the Senator from Illinois, I agree that if there is to be separation, let us separate them entirely. Why have one man in the middle of the proceeding owing allegiance both to the Secretary of State and to the Director? If the theory of separating it from the State Department is sound, then I think the Administrator should be separated from the State Department. I believe the Senator is absolutely on sound ground in that respect. I cannot see why the man should have to conduct diplomatic missions.

Mr. AIKEN. Is not the Senator aware of the fact that every day and for many days in the past the State Department

has been receiving applications for employment on this mission? If the Senator has constituents who want to get jobs in the administration of the relief program, he has to send applications to the State Department for that purpose.

Mr. BROOKS. Is the State Department giving jobs?

Mr. VANDENBERG. An applicant does not receive any job when he goes there.

Mr. BROOKS. He does not get a job with the State Department?

Mr. VANDENBERG. He gets no job.

Mr. TAFT. I personally would have complete confidence that the Administrator would control the question of personnel. I think the bill makes it sufficiently clear that Congress wants to impose control through a joint committee. I think we can be sure that the man who may be appointed will in good faith establish an efficient administration. I do not have the fear which the Senator from Vermont has expressed. If we are to make the administration separate from the State Department, or adopt that course in principle, I cannot see the purpose of having the chief representative in Europe also taking orders as to some matters from the Secretary of State. It seems to me the Secretary of State can always send his own ambassador to handle diplomatic matters. I cannot understand why we should create the uncertainty which is now in the bill. I think the Senator's amendment is in accord with the whole theory of the Senate Foreign Relations Committee, and I hope that the Senate will accept the principle which the Senator has proposed.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Illinois [Mr. BROOKS].

Mr. CAIN. Mr. President, will the Senator yield?

Mr. BROOKS. I yield to the Senator from Washington.

Mr. CAIN. I wonder, if there is to be an issue on this particular amendment, as to whether the title is sufficient for the doing of the job intended by the man who holds the office overseas. Some of us have not been overly impressed with the title provided for the representative of America abroad. I am only raising the question in order to have it explored by the Senator from Illinois.

Mr. BROOKS. I undertook to make a change in the title purposely, having in mind the speed with which history is being written at the moment. If we correctly read the pleas which come from the other countries, it would seem that they will seek out any man, no matter what his title may be, if he holds the purse strings, the allocation, the direction, and the responsibility of providing them with aid. I was trying to keep away from diplomatic language in the title so far as I could. I repeat that I believe if we want our supplies and our money in Europe effectively used it is time to treat the subject on a different basis, so as to assure a continuity of business management. The other nations can make any appeals they want to through the traditional ambassadorial staff or to the

Secretary of State. If there are any real differences between the Secretary of State and the Administrator, of course they must be settled by the President. We are not trying to change that situation. But I should like to have a realization on the part of Americans and Europeans as well that this is a new approach. We want work done; we want efficiency. We do not want our money to go to the subsidization of any socialistic scheme, but to the real recovery of Europe.

Mr. CAIN. Mr. President, will the Senator yield?

Mr. BROOKS. I yield.

Mr. CAIN. I should very much like to ask a question of the distinguished Senator from Michigan if I may.

Mr. VANDENBERG. Certainly.

Mr. CAIN. If this amendment should prevail will it be, in the Senator's opinion, necessary for the President to create an office which bears the title described in section 8, on page 11?

Mr. VANDENBERG. That is merely a matter of personal judgment. In the view of the Senator from Michigan if we have the slightest reality of hope in CEEC, the 16 nations, which, at long last, are showing some signs of coordination, if we have the slightest desire to encourage them in the expansion of their coordination, if we want to deal with them effectively in encouraging their coordination, it will be necessary to create top level diplomatic representation, because their objective is entitled to it, or we should not be wasting 15 seconds on the proposed legislation.

Mr. ROBERTSON of Wyoming. Mr. President, I am interested in the last remark of the Senator from Washington in regard to the rank which this United States special representative abroad would hold under section 8 of the bill, which provides that he shall "have the rank of ambassador extraordinary and plenipotentiary." I wonder if the Senator from Michigan would agree to change that to "have the rank of agent general for economic cooperation."

Mr. VANDENBERG. It must be that the Senator has been absent from the Chamber.

Mr. ROBERTSON of Wyoming. I have been, I regret to say.

Mr. VANDENBERG. For about an hour I have been trying to indicate that under no circumstances could I possibly agree to such a suggestion.

Mr. ROBERTSON of Wyoming. Mr. President, I feel that the very name "ambassador extraordinary and plenipotentiary" places the man directly in the State Department, and under the authority of the Secretary of State.

Mr. VANDENBERG. May I interrupt the Senator again?

Mr. ROBERTSON of Wyoming. Certainly.

Mr. VANDENBERG. Since the Senator was not present, he is not familiar, I assume, with the fact that I have offered two changes.

Mr. ROBERTSON of Wyoming. I have seen them.

Mr. VANDENBERG. Very well.

Mr. ROBERTSON of Wyoming. I have them here.

Mr. VANDENBERG. I thought that might alter the statement the Senator is making.

Mr. ROBERTSON of Wyoming. It does. I did not know this amendment was being considered, and the hour I spent in my office was in preparing a speech on this very subject, which I have not got. I shall have to proceed without the speech.

Mr. VANDENBERG. Every cloud has a silver lining. [Laughter.]

Mr. ROBERTSON of Wyoming. Let me come back to the point of the ambassador extraordinary and plenipotentiary. Regardless of what we may do under the bill in this country, I feel that if we send a man abroad with the title "ambassador extraordinary and plenipotentiary," he will be known and will be recognized as an ambassador subject to the instructions and under the direction of our Secretary of State.

I had hoped that could be avoided. I have worked over the pending bill, and over the proposed relief to Europe, many days and many nights. I was one of three Republicans who voted against the emergency aid to Europe in the special session. I voted against the British loan. I voted against the Greek-Turkish loan. My principal reason for voting against those measures was that I felt that there was nothing in any of those bills which would assure that the money we were appropriating would be used for the purposes for which we appropriated it.

I feel that any time we place in the hands of the State Department any sums of money, or the authority to use any appropriations we make, the State Department will, in sending those funds abroad, or placing them in the hands of foreign countries in this country, naturally place them in the hands of the representatives of the secretaries of state of those countries. The secretaries of state of the various countries are the same as the Secretary of State of this country. They are political appointees of the administration in charge, and as such have the power, and probably in many cases the will, to use the funds for what their party or their administration may deem to be in the best interest of their respective countries.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. ROBERTSON of Wyoming. I yield.

Mr. VANDENBERG. I am sure the Senator wants to be accurate in his statement.

Mr. ROBERTSON of Wyoming. I do, of course.

Mr. VANDENBERG. I do not know how it would be possible, under the terms of the bill, for any money to pass for either relief or recovery except on a contract approved by the Administrator. I think that is specific and categorical.

Mr. ROBERTSON of Wyoming. I thank the Senator for his statement. At the same time, I point out to the Senator that in my opinion our representative in Europe who is to be responsible for seeing that the moneys appropriated are used for the purposes for which we appropriate them should be able to con-

tact the direct organizations which will utilize the money, rather than have to go through the State Department as an ambassador extraordinary.

Mr. WATKINS. Mr. President, will the Senator yield?

Mr. ROBERTSON of Wyoming. I yield.

Mr. WATKINS. Does the Senator think the person who will hold this position could not really serve two masters?

Mr. ROBERTSON of Wyoming. I have never known any one who could do that.

Mr. WATKINS. In the amendment suggested, would he not be attempting to serve both the Secretary of State, on diplomatic missions, and at the same time be the representative of the Administrator, with his principal duties in the field of business, and of carrying out the purposes of the act?

Mr. ROBERTSON of Wyoming. Did I understand the Senator to say according to the amendment?

Mr. WATKINS. The amendment suggested by the senior Senator from Michigan.

Mr. ROBERTSON of Wyoming. Definitely. I thought the Senator was referring to the amendment under consideration.

Mr. WATKINS. Under the amendment under consideration as the Senator from Illinois has proposed it, there would be a clear-cut distinction. The man would be acting only under the direction of the Administrator.

Mr. ROBERTSON of Wyoming. Yes. Mr. WATKINS. He would not be acting in a dual capacity.

Mr. ROBERTSON of Wyoming. No.

Mr. WATKINS. The other amendment, the one suggested by the senior Senator from Michigan, would put him in a dual capacity. He would be a diplomat, and also the agent general of the Administrator.

Mr. ROBERTSON of Wyoming. That is correct.

Mr. WATKINS. That is what seems to me to be objectionable. He would be attempting to serve two masters. The line between the two would not be clearly defined, and in my judgment he would be spending a great deal of time running back to the President of the United States to make a decision on what he was to do.

Mr. ROBERTSON of Wyoming. I thank the Senator. I further call his attention to the fact that in my opinion his dual capacity is not brought out until section 8 is reached, where he is called an Ambassador Extraordinary and Plenipotentiary.

Reading now for the RECORD, in section 4, page 5, line 12, it is provided:

The Administrator—

That is, the Administrator in the United States—

The Administrator shall be responsible to the President and shall have a status in the executive branch of the Government comparable to that of the head of an executive department.

He is then on the top level. I take that language to mean that the Administrator is on the same level with the Secretary of State, the Secretary of

the Treasury, the Secretary of Defense, and the other secretaries in the Cabinet. Then it proceeds, in line 15:

Except as otherwise provided in this act, the administration of the provisions of this act is hereby vested in the Administrator and his functions shall be performed under the control of the President.

Let us see what his functions are. I read from page 8:

GENERAL FUNCTIONS OF ADMINISTRATOR

SEC. 5. (a) The Administrator, under the control of the President, shall in addition to all other functions vested in him by this act—

(1) review and appraise the requirements of participating countries for assistance under the terms of this act;

(2) formulate programs of United States assistance under this act, including approval of specific projects which have been submitted to him by the participating countries;

(3) provide for the efficient execution of any such programs as may be placed in operation; and—

I interject at that point that I take it the programs which would be placed in operation would be in one or the other of the 16 participating nations—

(4) terminate provision of assistance or take other remedial action as provided in section 17 of this act.

Those are the functions of the Administrator. Then the bill proceeds in line 16:

(b) In order to strengthen and make more effective the conduct of the foreign relations of the United States—

(1) the Administrator and the Secretary of State shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other.

These two top-level men, one the Administrator and one the Secretary of State, according to the general functions of the Administrator, as set forth on page 8, "shall keep each other fully and currently informed on matters," and, of course, it is absolutely right that they should do so.

(2) whenever the Secretary of State believes that any action, proposed action, or failure to act on the part of the Administrator is inconsistent with the foreign-policy objectives of the United States, he shall consult with the Administrator—

That would be on the top level of a Cabinet secretary—

and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

Mr. President, I can see nothing in the bill, under the functions of the Administrator, or anywhere else, which justifies the Administrator's representative in the foreign countries of Europe being called ambassador extraordinary and plenipotentiary. I feel, Mr. President, that it is the one error of this clause, as proposed to be amended by the Senator from Michigan. I hope that he can see his way clear to satisfy some of us by merely altering that title. I can see no reason for the title. In fact, I can see every reason why the title should be changed to "Agent General for Economic Cooperation."

The PRESIDING OFFICER. The question is on agreeing to the amend-

ment offered by the Senator from Illinois [Mr. Brooks].

Mr. BROOKS. Mr. President, I simply wish to close with a summary. I am sure the impression has been given, and I am sure the intention of the chairman of the Foreign Relations Committee was to see to it, that business genius and direction shall be employed to bring about the all-important objective to which the measure is dedicated. I am thoroughly convinced that to a great degree any effort on the part of the Administrator will be minimized if there be associated with him in his activity in Europe, even though it may be said that the associate gets his directions from the Administrator, one whose very title, one whose very status, is historically a part of the State Department. If we are going to do something new to try to improve the mistakes of yesterday, we ought to approach the situation very realistically. I have no thought in my mind that the President of this great country does not have the right, as Chief Executive, to have a representative of the highest order representing him in a foreign country. But we should strive to improve on our mistakes of yesterday, and, as all of us know, mistakes have been made. I think another mistake is about to be made by housing this great enterprise, which will run into billions and billions of dollars, under the canopy of the State Department.

In order to have any chance of intelligent operation abroad, the program should be under a business management, and our representative should have a business title. The program should be conducted in accordance with a plan which historically goes to the creative, inventive, and industrial genius of this land, not to diplomacy. We should try to attract to the high post of Administrator, not a diplomatic servant, but a man of the highest business or industrial efficiency and his coordinator, his representative, should be of the same type. The position should be set apart to attract that kind of a man. It should be dignified by giving recognition to the line of endeavor in which we excel. I say again we have not shown ourselves thus far to be intelligent in diplomacy. We are brilliant and we are great in our productive capacity. That element of our genius ought to have full sway as we move into this program.

Mr. President, on my amendment I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. SMITH. Mr. President, am I to understand that if the amendment offered by the Senator from Illinois, which is now pending, is defeated, the Senator from Michigan will offer the amendments providing the change he suggested?

The PRESIDING OFFICER. The parliamentary situation is that the Senator from Michigan can offer the amendments if he desires.

Mr. WHERRY. Mr. President, were the yeas and nays ordered on the amendment of the Senator from Illinois?

The PRESIDING OFFICER. The yeas and nays were ordered.

Mr. VANDENBERG. Mr. President, the Senator from Michigan is willing to

respond to the Senator from New Jersey, that the amendments he speaks of will be offered even though they hardly seem to be deserved under the circumstances.

Mr. HICKENLOOPER. Mr. President, I wonder if the Senator from Michigan would give me some information on a matter respecting which he perhaps may be informed, that is, concerning the position of an ambassador. It runs in my mind that the exclusive right to make the appointment of ambassador lies with the President. Therefore, the ambassador very likely is the servant of the President, if we come down to technical details; not the servant of the State Department.

Mr. VANDENBERG. I think the Senator from Iowa is entirely correct.

Mr. HICKENLOOPER. I do not know whether the Senator from Michigan has discussed that matter before.

Mr. VANDENBERG. I have said so.

Mr. HICKENLOOPER. I am sorry I missed the Senator's statement. I thought, however, the differentiation should be made.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Illinois for himself and other Senators, on page 11, beginning with line 8. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. GREEN. I announce that my colleague, the Senator from Rhode Island [Mr. McGRATH] is absent, presiding over a meeting of the Democratic National Committee. If present he would vote "nay."

Mr. WHERRY. I announce that the Senator from New Hampshire [Mr. BRIDGES] is detained on official committee business.

The Senator from South Dakota [Mr. BUSHFIELD], the Senator from Pennsylvania [Mr. MARTIN], the Senator from Nevada [Mr. MALONE], the Senator from Wisconsin [Mr. MCCARTHY], the Senator from Oklahoma [Mr. MOORE], and the Senator from Oregon [Mr. MORSE] are necessarily absent. If present and voting, the Senator from South Dakota [Mr. BUSHFIELD], the Senator from Pennsylvania [Mr. MARTIN], and the Senator from Oregon [Mr. MORSE] would vote "nay." If present and voting, the Senator from Nevada [Mr. MALONE] would vote "yea."

The Senator from Missouri [Mr. DONNELL] is absent by leave of the Senate. The Senator from Maine [Mr. WHITE] is absent because of illness.

The Senator from North Dakota [Mr. YOUNG] is absent by leave of the Senate.

Mr. LUCAS. I announce that the Senator from Arkansas [Mr. FULBRIGHT] and the Senator from Maryland [Mr. TYDINGS] are absent because of illness.

The Senator from New Mexico [Mr. HATCH], the Senator from Washington [Mr. MAGNUSON], the Senator from Texas [Mr. O'DANIEL], and the Senator from New York [Mr. WAGNER] are necessarily absent.

The Senator from Connecticut [Mr. McMAHON] is absent on public business.

The Senator from Virginia [Mr. ROBERTSON] is absent on official business.

If present and voting, the Senator from Arkansas [Mr. FULBRIGHT], the Senator from New Mexico [Mr. HATCH], the Senator from Washington [Mr. MAGNUSON], the Senator from Connecticut [Mr. McMAHON], the Senator from Virginia [Mr. ROBERTSON], the Senator from Maryland [Mr. TYDINGS], and the Senator from New York [Mr. WAGNER] would vote "nay."

The result was announced—yeas 25, nays 52, as follows:

YEAS—25

Aiken	Chavez	Revercomb
Ball	Dworshak	Robertson, Wyo.
Brewster	Ecton	Russell
Bricker	Ferguson	Taft
Brooks	Hawkes	Watkins
Butler	Jenner	Wherry
Byrd	Kem	Williams
Cain	Langer	
Capehart	McClellan	

NAYS—52

Baldwin	Holland	Pepper
Barkley	Ives	Reed
Buck	Johnson, Colo.	Saltonstall
Capper	Johnston, S. C.	Smith
Connally	Kilgore	Sparkman
Cooper	Knowland	Stennis
Cordon	Lodge	Stewart
Downey	Lucas	Taylor
Eastland	McCarran	Thomas, Okla.
Ellender	McFarland	Thomas, Utah
Flanders	McKellar	Thye
George	Maybank	Tobey
Green	Millikin	Umstead
Gurney	Murray	Vandenberg
Hayden	Myers	Wiley
Hickenlooper	O'Connor	Wilson
Hill	O'Mahoney	
Hoey	Overton	

NOT VOTING—19

Bridges	McMahon	Robertson, Va.
Bushfield	Magnuson	Tydings
Donnell	Malone	Wagner
Fulbright	Martin	White
Hatch	Moore	Young
McCarthy	Morse	
McGrath	O'Daniel	

So the amendment of Mr. Brooks and other Senators was rejected.

Mr. VANDENBERG. Mr. President, pursuant to the statement I made during the debate regarding those portions of the rejected amendment as to which the proponents of the bill are in agreement, I am quite willing now to offer the two amendments which I indicated at that time. I assume that they will not be controversial.

I therefore move that on page 11, in section 8, line 16, the words "chief United States representatives" be deleted, and that there be inserted the words "representative of the Administrator, and shall also be the chief representative of the United States Government." The net result will be to identify the Ambassador as the representative of the Administrator.

I offer that amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan.

The amendment was agreed to.

Mr. VANDENBERG. Mr. President, as a second amendment—and one of the same character, and again carrying out my promise to the Senate—I move the insertion of the following, on page 11, in section 8, line 23, after the word "Europe":

He shall receive his instructions from the Administrator and such instructions shall be prepared and transmitted to him in accordance with procedures agreed to between the Administrator and the Secretary of State in

order to assure appropriate coordination as provided by subsection (b) of section 5 of this act. He shall coordinate the activities of the Chiefs of Special Missions provided for in section 9 of this act.

The net effect of the amendment is, in case of collision between the Administrator and the Ambassador, to apply the rule which is followed elsewhere in the bill, namely, that in the case of such a collision, the President of the United States shall be the umpire.

Mr. CONNALLY. Mr. President, the proposed change does not exclude the President's instructions, does it?

Mr. VANDENBERG. Oh, no, indeed. I have made it clear from start to finish that the President is entitled to his own ambassadorial representative and must have him under the circumstances.

Mr. CONNALLY. And his instructions would override the instructions of the Administrator.

Mr. VANDENBERG. Or the instructions of anyone else.

Mr. CONNALLY. That is preserved in this amendment, is it?

Mr. VANDENBERG. That is correct.

Mr. WILSON. Mr. President, should not the Congress be advised in this matter?

Mr. VANDENBERG. There are several points in the bill where it is provided that the Congress is to be advised. In addition, we are creating what has come to be called the "watch-dog" committee, which is a joint committee of the House and Senate which will be entitled to all information of every character at all times.

Mr. WILSON. Mr. President, will the Senator further yield?

Mr. VANDENBERG. Certainly. However, if there is any controversy about this matter, I shall withdraw the amendment, because I wish to have the Senate proceed with the bill.

I yield to the Senator from Iowa.

Mr. WILSON. It occurs to me that the Congress of the United States, as well as the President and others, is entitled to information.

Mr. VANDENBERG. I quite agree with the Senator, and I think the bill provides for it from start to finish.

Mr. WILSON. If I were sure of that, my attitude would be different. But when we insert provisions such as the one the Senator from Michigan has just suggested, we have left out any reference to the legislative branch of the Government.

Mr. VANDENBERG. I call the Senator's attention to the fact that we are considering but one of the many agents of the institution. Certainly the Senator from Iowa does not wish to have all the agents report directly to the Congress.

Mr. WILSON. I quite agree with the Senator from Michigan; but the most important of the three branches of our Government is the legislative branch.

Mr. VANDENBERG. I agree to that.

Mr. WILSON. And the legislative branch should receive reports.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan [Mr. VANDENBERG].

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. BROOKS. Mr. President, before I offer the next amendment, I should like to express my appreciation to the chairman of the Foreign Relations Committee for presenting these amendments. I think they may improve the bill.

Now I should like to call up the amendment designated with the numbers and letter "3-5-48-B." I offer it, and ask that it be stated. The amendment is offered for myself and various other Senators.

The PRESIDING OFFICER. The amendment will be stated.

The amendment proposed by Mr. BROOKS (for himself, Mr. WHERRY, Mr. REED, Mr. BREWSTER, Mr. CAIN, Mr. ROBERTSON of Wyoming, Mr. DWORSHAK, Mr. HAWKES, Mr. BUTLER, Mr. MALONE, Mr. ECTON, and Mr. WATKINS) was read, as follows:

On page 27, between lines 15 and 16, insert a new subsection as follows:

"(g) Not to exceed 3 percent of the total funds appropriated for the purposes of this act may be employed by the Administrator under such regulations as he shall impose to pay the ocean freight charges from a United States port to a designated port of entry of any of the participating countries, on relief packages conforming to specified size, weight, and contents, originating in the United States and consigned to some individual residing in one of the participating countries.

"All costs of any such relief package, including shipping costs, shall be paid by shipper from point of origin to United States port designated by Administrator.

"The Administrator shall consult with the Secretary of State with a view of having included in bilateral agreements, as authorized under section 15 (a) of this act, right of free entry of such relief packages as are certified as such under authority of the Administrator, into the territory of any participating country. Such bilateral agreements shall also provide for the payment out of sums of local currencies as are placed in a special deposit as provided in section 15 (b) (6) of this act, transportation cost at regular and usual rates, from port of entry of the particular participating country in which the said local currency deposit exists, to designated shipping point of consignee."

Mr. BROOKS. Mr. President, this amendment simply provides that not to exceed 3 percent of the funds—whatever funds shall be appropriated for this program—shall be set aside by the Administrator to help take care of the overseas-transportation cost of individual packages sent by individual citizens or organizations in the United States to individual citizens or organizations in Europe.

Since the close of the war, I have been informed, approximately 90,000,000 packages have been sent by individuals in the United States to individuals in Europe. The testimony given to us by General Clay was that nothing that has been provided has been so effective in creating good will for the United States, and in letting the people of Europe know that the aid comes from the United States and in encouraging them to believe in our system of government and to develop resistance to the miseries of communism, as the individual packages sent from this country to individuals in western Germany.

As a matter of fact, when General Clay wished to increase the coal production in the Ruhr, he went to the organization that is known as CARE, and had it provide for him 350,000 individual packages, which he purchased with public funds, to be used—and they were so used—as incentives to get the individual miners to produce additional amounts of coal. Knowing that they could take home those individual packages to their families, they did produce the additional coal required, and the goal which had been set was reached. General Clay said the only reason why they did not use more was that the CARE organization could not provide more.

I refer to that simply to show that, in his judgment, the individual package is the most effective way of reaching individuals and in letting them know that the aid comes from the United States, and in building good will for the United States.

So, by this amendment I am asking that only 3 percent of the funds be set aside so that the individual in the United States who wishes to contribute more than we are making him contribute when we pass this bill—and no doubt it will be passed—will have that much of the transportation charges paid by all the people of the United States, who will be taxed to pay the cost of this entire bill.

Therefore, I believe that 3 percent of the total funds should be set aside to carry a part of the cost of the transportation of individual packages in this way. That will mean that the individual in the United States will buy his own package under the rules and regulations specified by the Administrator, and will pay the postage to the coast, to a given point—just as we use given points for the transportation of packages to the Army during the war, and just as many institutions use given points in connection with making shipments—and then the Administrator will be responsible for transporting the package from our shore to the shore of the designated foreign country. Then, let their postal system pick it up and pay for it out of what in actuality are American funds, for in those countries, when we give them supplies, including food, fuel, and fertilizer, they sell them. We give the supplies to their governments and they sell them to their people, taking the local currency. The bill provides for that money to be put into a blocked account, to be used ultimately for whatever purpose the two governments agree.

The amendment merely provides that the mailing cost beyond the port of entry in the foreign country shall be paid out of American money that has been transformed into European currency and held for joint purposes to be agreed upon. I understand the statement is made that there will be certain administrative difficulties. That contention is always advanced, but I wish somebody would explain to me what administrative difficulties there would be in operating a program such as I propose. There is no great difficulty in handling the packages. It is a thing that the postal service does every day. It means a few clerks to receive them, direct them, and

adjust the accounts on the other side. It is American money, and under the amendment there would be deducted a part, not to exceed 3 percent, of what we take from all the people, and that amount would be used to transport goodwill packages sent by individuals in America to individuals in Europe, where the recipients cannot mistake that it is charity, that it is good will, and that we do want them to survive. In my judgment this is one of the most effective ways of doing what we at least hope the program will accomplish. I hope the amendment will be accepted.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. BROOKS. I yield to the Senator from North Dakota.

Mr. LANGER. Does the Senator know that this proposal has the enthusiastic support of former Secretary of War Patterson, and that he wrote a letter to the Post Office and Civil Service Committee advocating, not the withholding of 3 percent, but a lower rate of postage? In the month of October last year, 41,000,000 pounds of such mail was shipped to Germany alone, through the individual-package method.

Mr. KILGORE. Mr. President, will the Senator yield?

Mr. BROOKS. I yield to the Senator from West Virginia.

Mr. KILGORE. I wish to ask a question about the operation of the program. I note in the amendment that the appropriation is for the purpose of paying ocean-freight charges; the sender pays the postage to the nearest port in our country, and we pay the ocean-freight charges. What arrangement is to be made for delivery of the package in the foreign country?

Mr. BROOKS. The packages would be shipped from the port in our country to the foreign port of entry, where the Administrator would see that they were forwarded through the postal system of the particular country, without disrupting the postal system. The postage would be paid out of the blocked account that comes from goods given them by America, sold to their people, and paid for in the local currency.

Mr. KILGORE. I thank the Senator for his explanation. That is what I wanted to have made clear. I wanted to know how the packages would be cared for abroad.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. BROOKS. I yield to the Senator from Louisiana.

Mr. OVERTON. What, if any, obligations are imposed on the foreign governments to pay for postage on such packages?

Mr. BROOKS. I have provided in the amendment that the Administrator shall enter into agreements with the several countries to take care of that.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. BROOKS. I yield to the Senator from Oregon.

Mr. CORDON. Is it the Senator's purpose to limit the operation of the amendment to individual packages sent to individual persons, and to exclude

packages which might be sent by a group, without the packages designating the individual shippers?

Mr. BROOKS. My immediate purpose was to see that individual packages went to individuals. It can be amended to permit organizations to send packages to be distributed. Another thing was omitted, to which the chairman of the Committee on Foreign Relations called my attention. It was that the amendment should contain a penalty provision to safeguard against smuggling. I thought the Senator was at least going to have that language considered by the committee. However, I submit the amendment now for discussion. I think there should be included language providing a penalty for violations in the way of placing in the packages anything not designated by the Administrator. If such an amendment is not suggested by someone else, I shall offer it myself.

Mr. VANDENBERG. Mr. President, this is another of those occasions when I am prepared to agree to language which I think fully accepts the objective to which the able Senator from Illinois addresses his amendment, even though we seem to find it impossible to do it in the precise form and to the extent that he indicates. I shall try very briefly to make the distinctions apparent.

Mr. BROOKS. Mr. President, may I ask the Senator to yield?

Mr. VANDENBERG. I yield.

Mr. BROOKS. In all fairness, I wish to say that I have not seen the language of the amendment up to this moment, and, therefore, I am not sure we can agree. If I were privileged to see the language the Senator is about to suggest, I might agree to it.

Mr. VANDENBERG. I did not mean to indicate that the Senator had agreed. I hoped he would agree.

Mr. BROOKS. I should like the RECORD to show that I do not disagree, provided I can see the provision to which I am asked to agree. I have not seen it. I shall be delighted to see what the distinguished chairman of the Committee on Foreign Relations suggests.

Mr. VANDENBERG. I am sure I was not indicating that the Senator had seen it. I confess very frankly to the Senator that I became very downhearted about submitting amendments to the Senator, after submitting the last two.

First, let me say to the able Senator from North Dakota that I do not think this is the process to which Mr. PATTERSON was referring in the endorsement which the Senator indicated. I also remind the Senator from North Dakota that he himself is the sponsor of a bill which is still pending in our committee. I asked the chairman of the subcommittee today to submit a report as soon as possible. It in my judgment is a far better answer to the general problem than any approach of this nature, because, as I recall, it has as its direct purpose the reduction of postal rates. I think the Senator may still hope for a report on the bill, one of these days.

Mr. President, there simply can be no doubt in the world about the justification for the statement made by the Senator from Illinois that the direct gift packages

from the United States represent the finest missionary work that is done for the humane reputation of the great heart of the United States. I agree with him completely on that point. The trouble with his amendment is this: He has himself indicated one or two of the difficulties. First, I would say to the Senator from Oregon that the first lapse in the amendment is the failure to provide transportation—shall we say subsidies—for organized package charities. That is a particularly glaring omission, inasmuch as we provided in the interim aid bill, at the instance of the Senator from New Jersey, I think a figure of \$5,000,000, for transportation charges in connection with organized package gifts abroad. That is not in this amendment.

It will be in the suggestions which I shall presently offer.

Secondly, the amendment as drawn would apply this privilege and subsidy to all participating countries in CEEC. That includes a number of countries which are not to be on an aid basis, which are not even to be on a grant basis, but which are to be either on a strictly cash basis or on a strictly loan basis. I am sure we would not want to extend this privilege, which is in a sense a highly emphasized element of relief, and to make it available to countries which certainly are not on relief, such as Portugal, Switzerland, Ireland, Iceland, and so forth. They would be included, however, in the language of the amendment as offered by the Senator from Illinois.

Thirdly, Mr. President, the Senator's amendment provides the right of free entry for all of the relief packages when they arrive abroad. I think a very strong argument can be made for the right of free entry, but in a very careful examination of the subject, both at the Post Office Department and at the State Department, even I was impressed with the fact that there are almost insurmountable obstacles in the way in trying to get the right of free entry for a flood of innumerable packages, provided we undertake any sort of protection against smuggling. I have made a very sincere effort, as the Senator from Illinois knows, and have spent 2 days trying to explore the subject. I have done so most sympathetically, and have come to the conclusion that it is not a feasible or practical thing to try to provide free entry for the packages.

Mr. CHAVEZ. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield to the Senator from New Mexico.

Mr. CHAVEZ. Mr. President, I realize the difficulties which the Senator from Michigan has mentioned, but as a practical proposition, the peoples in Europe want free bacon, free butter, and free flour. Why should they not have free entry of the packages?

Mr. VANDENBERG. I have told the Senate what the difficulty is. It has nothing to do with the attitude of gratitude or otherwise on the part of the European peoples. It is purely a practical question of controlling the entry of commodities free as against the entry of commodities which should not enter.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. CORDON. As I read the amendment offered by the distinguished Senator from Illinois, I do not understand that there is any requirement of free entry.

Mr. VANDENBERG. That is correct.

Mr. CORDON. It is a matter of discussion. If it were found that it could be done there might be an agreement.

Mr. VANDENBERG. In fact, it applies to the Senator's entire amendment. The amendment provides at the outset that a certain percentage of the total funds may be employed by the Administrator. The entire proposal is optional. I did not mean to indicate otherwise.

Does the Senator want to ask another question?

Mr. CORDON. The word "may" may be construed to mean "shall." I am inclined to believe it should be so construed to the extent that the funds are necessary for that purpose.

Mr. VANDENBERG. The fourth difficulty with the amendment in the form in which it is submitted by the Senator from Illinois, seems to the proponents of the bill to be the amount of 3 percent. Here, again, the wording is "not to exceed." Yet it is something of an identification. The amount involved, if it were anything like 3 percent of \$5,000,000,000, would be \$150,000,000. So far as we can find from the records, the total value of all of the exports of this character last year was approximately \$150,000,000. So far as I am advised, the transportation cost is approximately 10 percent of the total value. So it would seem that pegging the figure at that point rather exaggerates the expectation of the Congress in connection with what is expected of the Administrator.

Having made that statement, I indicate that the following language could be accepted:

In order to further the efficient use of the United States voluntary contributions for relief in participation countries receiving assistance under this act in the form of grants—

I interrupt myself there to indicate that that is the point at which we define the countries which are eligible—funds made available for the purposes of this act may be used—

Without any identification of a figure—funds made available for the purposes of this act may be used in the discretion of the Administrator, and under rules and regulations prescribed by him, to pay ocean freight charges from a United States port to a designated foreign port of entry (i) of supplies donated to, or purchased by, United States voluntary nonprofit relief agencies licensed for operation in Europe, or (ii) of relief packages conforming to such specified size, weight, and contents as the Administrator may prescribe originating in the United States and consigned to an individual residing in a participating country receiving assistance under this act in the form of grants, provided that such relief packages have been accepted for shipment by a licensed United States voluntary nonprofit relief agency.

I think I ought to stop at that point, but to show the extent to which I have

tried, without too much success, to cooperate with my friend from Illinois, this further language appears in the suggestion which I am offering:

The Administrator may make an agreement with such country for the use of a portion of the deposit of local currency placed in a special account pursuant to paragraph 6 of subsection (b) of section 15 of this act, for the purpose of defraying the transportation cost of such supplies and relief packages from that port of entry of such country to the designated shipping point of consignee.

I am prepared to offer this suggestion to be made a part of the bill, if the amendment submitted by the Senator from Illinois is either withdrawn or rejected.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. VANDENBERG. In just a moment. I think it meets every purpose that my able friend from Illinois has in mind, except the right of free entry. It goes beyond what my able friend from Illinois had in mind, by covering the question of supplies handled by United States voluntary nonprofit relief agencies. I think they are the most important factor of all in the equation.

I now yield to the Senator from Oregon.

Mr. CORDON. I am very much interested in the offer indicated by the distinguished chairman of the Foreign Relations Committee. I would hope we might take his language insofar as it identifies the senders of packages, the recipients of the packages, and the countries in which the recipients reside. I should like to see that language used in lieu of the language in the amendment offered by the Senator from Illinois, down to line 9 on page 2, and that portion of the offered amendment to the effect that the Administrator may discuss with the several countries the matter of entry or the matter of the use of impounded funds for the payment of transportation charges, be eliminated, and the language used by the Senator from Illinois, beginning with line 9 and continuing to line 20, be inserted.

My reason for taking that position is that I should like to have a mandate upon the Administrator that he attempt to obtain free entry. If it cannot be done, very well, but I should like to have the Congress direct him to attempt to do that.

As to the cost of sending the packages, inasmuch as the cost is paid for out of funds which will be impounded for some unknown length of time in the future, and inasmuch as the articles contained in the package are for the benefit of the people of the recipient country, I should like to see the requirement that the money be paid from those impounded funds which, as the Senator from Illinois has said, represent merely the changing of American dollars into the currency of the country in question.

Mr. CHAVEZ obtained the floor.

Mr. LANGER. Mr. President—

Mr. CHAVEZ. I was about to make a statement, and if the Senator from North Dakota is about to make a speech, of course, I do not care to yield.

Mr. LANGER. I wish to ask a question of the chairman of the committee.

Mr. CHAVEZ. I yield for that purpose.

Mr. LANGER. I wonder if the Senator could not modify the amendment in some way so as to include Germany and Austria.

Mr. VANDENBERG. It does include Austria, and does include the American zone in Germany. There is no way to take it beyond the jurisdiction of this group of 16 nations, plus western Germany.

Mr. CHAVEZ. Mr. President, I am in full agreement with the remarks of the Senator from Oregon. I cannot see that the Senator from Michigan made a convincing answer as to why the recipient countries should not be willing to give free entry for things which go to them without cost.

As I understand, the idea of the bill is to help the European countries in several ways to rehabilitate themselves, to take care of the poor, and to take care of people who are hungry, and that is a worthy objective. But if the Senate is justified in giving American taxpayers' dollars to buy food for people who are hungry, I cannot see any reason whatsoever why the recipient countries, which are receiving these things without cost to them, should not be willing at least to cooperate with the American public, the American taxpayer, the American citizen, who in his charity is willing to dig into his pocket to buy bacon, butter, eggs, and whatever else the recipients need to eat, and allow the goods to be received free of entry charge.

On the 15th of March the average citizen pays his taxes. It is expected that our citizens shall pay their proportionate share of taxes and then pay duty on the articles they send to individuals in foreign countries? I think that would be going a little too far.

I hope the suggestion made by the Senator from Oregon and the Senator from Illinois will be accepted.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Illinois [Mr. BROOKS]. [Putting the question.] The "noes" appear to have it—

Mr. WHERRY. I ask for a division.

The PRESIDING OFFICER. All those in favor of the amendment of the Senator from Illinois will rise and remain standing until counted. [Counting.] Those opposed to the amendment will rise. [Counting.] The result is a tie.

Mr. VANDENBERG. I ask for the yeas and nays.

The yeas and nays were ordered; the legislative clerk proceeded to call the roll, and Mr. BALDWIN voted in the affirmative when his name was called.

Mr. PEPPER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. PEPPER. I thought that when there was a tie vote the question failed.

The PRESIDING OFFICER. The Senator is correct.

Mr. WHERRY. Mr. President, the yeas and nays were ordered, and are we

not now in process of taking the yeas and nays?

The PRESIDING OFFICER. The yeas and nays must proceed unless by unanimous consent they are halted.

The legislative clerk resumed calling the roll, and Mr. BALL voted in the affirmative when his name was called.

Mr. CORDON. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CORDON. If the amendment now being voted on should be defeated, would it be in order, under the rules, to offer an amendment, for example, such as that indicated by the senior Senator from Michigan?

Mr. WILSON. Mr. President—

The PRESIDING OFFICER. In the opinion of the Chair, after the pending amendment is disposed of, any other amendment will be in order.

Mr. CORDON. Even though it is of the same general tenor?

Mr. WILSON. Mr. President, I make the point of order that in the progress of a roll call the question of the Senator from Oregon is out of order.

The PRESIDING OFFICER. The clerk will continue the call of the roll.

The legislative clerk resumed and concluded the calling of the roll.

Mr. GREEN. I announce that my colleague, the Senator from Rhode Island [Mr. McGRATH] is absent, presiding over a meeting of the Democratic National Committee, and if present would vote "nay."

Mr. WHERRY. I announce that the Senator from New Hampshire [Mr. BRIDGES] is detained on official committee business.

The Senator from South Dakota [Mr. BUSHFIELD], the Senator from Vermont [Mr. FLANDERS], the Senator from Pennsylvania [Mr. MARTIN], the Senator from Nevada [Mr. MALONE], the Senator from Wisconsin [Mr. MCCARTHY], the Senator from Oklahoma [Mr. MOORE], and the Senator from Oregon [Mr. MORSE] are necessarily absent. If present and voting, the Senator from South Dakota [Mr. BUSHFIELD], the Senator from Pennsylvania [Mr. MARTIN], and the Senator from Oregon [Mr. MORSE] would vote "nay." The Senator from Vermont [Mr. FLANDERS], and the Senator from Nevada [Mr. MALONE], if present and voting, would vote "yea."

The Senator from Missouri [Mr. DONNELL] is absent by leave of the Senate.

The Senator from Maine [Mr. WHITE] is absent because of illness.

The Senator from North Dakota [Mr. YOUNG] is absent by leave of the Senate.

Mr. LUCAS. I announce that the Senator from Arkansas [Mr. FULBRIGHT] and the Senator from Maryland [Mr. TYDINGS] are absent because of illness.

The Senator from California [Mr. DOWNEY], the Senator from New Mexico [Mr. HATCH], the Senator from Arizona [Mr. HAYDEN], the Senator from Alabama [Mr. HILL], the Senator from Washington [Mr. MAGNUSON], the Senator from Texas [Mr. O'DANIEL], the Senator from Utah [Mr. THOMAS], and the Senator from New York [Mr. WAGNER] are necessarily absent.

The Senator from Connecticut [Mr. McMAHON] is absent on public business.

The Senator from Virginia [Mr. ROBERTSON] is absent on official business.

I announce further that if present and voting, the Senator from California [Mr. DOWNEY], the Senator from Arkansas [Mr. FULBRIGHT], the Senator from New Mexico [Mr. HATCH], the Senator from Arizona [Mr. HAYDEN], the Senator from Alabama [Mr. HILL], the Senator from Washington [Mr. MAGNUSON], the Senator from Connecticut [Mr. McMAHON], the Senator from Virginia [Mr. ROBERTSON], the Senator from Utah [Mr. THOMAS], the Senator from Maryland [Mr. TYDINGS], and the Senator from New York [Mr. WAGNER] would vote "nay."

The result was announced, yeas 34, nays 38, as follows:

YEAS—34

Baldwin	Dworshak	Overton
Ball	Eaton	Reed
Brewster	Hawkes	Revercomb
Bricker	Jenner	Robertson, Wyo.
Brooks	Johnson, Colo.	Stennis
Buck	Johnston, S. C.	Taft
Butler	Kem	Watkins
Byrd	Langer	Wherry
Cain	McClellan	Williams
Capehart	McFarland	Wilson
Chavez	Maybank	
Cooper	Millikin	

NAYS—38

Alken	Holland	Russell
Barkley	Ives	Saltonstall
Capper	Kilgore	Smith
Connally	Knowland	Sparkman
Cordon	Lodge	Stewart
Eastland	Lucas	Taylor
Ellender	McCarran	Thomas, Okla.
Ferguson	McKellar	Thye
George	Murray	Tobey
Green	Myers	Umstead
Gurney	O'Connor	Vandenberg
Hickenlooper	O'Mahoney	Wiley
Hoey	Pepper	

NOT VOTING—24

Bridges	Hill	Morse
Bushfield	McCarthy	O'Daniel
Donnell	McGrath	Robertson, Va.
Downey	McMahon	Thomas, Utah
Flanders	Magnuson	Tydings
Fulbright	Malone	Wagner
Hatch	Martin	White
Hayden	Moore	Young

So Mr. BROOKS' amendment was rejected.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. BROOKS. Mr. President, during the previous discussion the distinguished chairman of the Foreign Relations Committee submitted substitute language for the amendment I had offered. I understand that as soon as he confers further about the language it will be offered to the Senate as an amendment.

Mr. VANDENBERG. The Senator is correct.

Mr. BROOKS. Instead of calling up my amendment B and taking the time of the Senate, after having conferred with the distinguished chairman of the Foreign Relations Committee, I offer the following amendment in lieu thereof: On page 13, section 9 (b), line 8, after the word "mission", I propose to insert the following: "and the United States Special Representative in Europe."

Mr. VANDENBERG. Mr. President, I have no objection to the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Illinois.

The amendment was agreed to.

Mr. COOPER. Mr. President, I offer an amendment which now lies on the table and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 9, between lines 5 and 6, it is proposed to insert the following new subsection:

(c) The Administrator and the department, agency, or officer in the executive branch of the Government exercising the authority granted to the President by section 6 of the act of July 2, 1940 (54 Stat. 714), as amended, shall keep each other fully and currently informed on matters, including prospective action, arising within the scope of their respective duties which are pertinent to the duties of the other. Whenever the Administrator believes that any action, proposed action, or failure to act on the part of such department, agency, or officer is inconsistent with the purposes and provisions of this act, he shall consult with such department, agency, or officer and, if differences of view are not adjusted by consultation, the matter shall be referred to the President for final decision.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky.

Mr. COOPER. Mr. President, the amendment which I have submitted has two purposes. The first is procedural and is designed to avoid, as far as possible, any disagreement between the Administrator of the European recovery program and the delegate of the President's power to control exports. Under the provisions of Public Law 395, which became effective December 30, 1947, the power of the President to control exports was extended to February 28, 1949, and he was authorized to delegate his power. He did delegate his power, by Executive order, to the Secretary of Commerce. Under the delegation of authority, the Secretary of Commerce has power to determine whether or not a commodity shall be exported, the volume in which it shall be exported, to designate the countries to which it may be exported, and to fix quantities for the designated countries. This power extends to the 16 countries participating in this program. It follows that he could deny or limit exports proposed by the Administrator.

I do not mean to say that the present Secretary of Commerce would arbitrarily use this power. We know of his interest in the success of the recovery program. Nevertheless, he is charged by law with the operation of the Export Control Act under policies declared in the act which are more extensive than the policy which underlies this program. It is his duty to take into consideration the entire foreign policy of our country, the maintenance of trade relations with other countries throughout the world, the needs of our occupied areas, the protection of the domestic economy, and it is entirely possible that there might be disagreements. My amendment seeks to avoid disagreement by providing that each shall confer with the other on matters which are pertinent to the duties of the other, and that in the event of a disagreement the matter shall be referred to the President for settlement. It is similar to the pro-

vision in section 5 (b) (2), which provides for conciliation of differences between the Secretary of State and the Administrator.

Before I close I should like to invite the attention of the Senate to one other subject. If this measure is as important as we say it is and believe it to be, export of commodities to the 16 participating countries and to other countries which give assistance should have priority in the export program.

A great many people believe that the shortages, high prices, and inflation under which we suffer have been caused in large degree by exports to war-devastated countries. Such is not the case, for these are not the greatest part of the exports which have been going to every section of the world. The most recent report of the Secretary of Commerce shows that of the total exports of critical commodities in 1947, only 30 percent of the steel-mill products, 8.9 percent of iron and steel scrap, 50.5 percent of solid fuels, 40 percent of liquid-petroleum products, and 60 percent of grains went to the war-devastated countries of western Europe. The remainder was scattered throughout the world.

It is necessary that the regular channels of trade to other countries be kept open, that provisions for occupied areas be made. But, if this program is as important as we say it is, priority should be given to exports to the 16 participating countries. It is my opinion that the diffusion of exports throughout the world, without priority, arises from a division of authority and failure to fit responsibility in the export-control program. The Department of Commerce controls industrial exports, the Department of Agriculture, food, and various committees wrestle with the problem. I do not believe that we will have any great success in the control of exports, in the protection of the domestic economy, and in giving priority to those areas which are most important to our policies, until statutory provision is made for the appointment of an Administrator of Exports, to be confirmed by the Senate, who will consider the program as a whole. This amendment will not give priority to the needs of the 16 participating countries, but it will give the Administrator the opportunity to present his views at the earliest opportunity, to reach an early decision upon disagreement, and perhaps to that extent he will receive in practice, the priority which this program deserves.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. COOPER].

Mr. VANDENBERG. Mr. President, it is my understanding that the net effect of this amendment is simply to provide that the President shall be the umpire in disputes between the Secretary of Commerce and the Administrator regarding export problems. I think it is entirely appropriate, and I have no objection.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Kentucky [Mr. COOPER].

The amendment was agreed to.

Mr. BREWSTER. Mr. President, I offer the amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Maine will be stated.

The CHIEF CLERK. On page 32, it is proposed to strike out line 21 and insert in lieu thereof the words "Other Duties of the Administrator."

On page 32, line 22, after "Sec. 16", it is proposed to insert "(a)."

On page 33, after line 4, it is proposed to insert:

(b) The Administrator, in cooperation with the Secretary of Commerce, shall facilitate and encourage, through private and public travel, transport, and other agencies, the promotion and development of travel by citizens of the United States to and within participating countries.

Mr. BREWSTER. Mr. President, this amendment proceeds on the assumption that we may perhaps have a period of peace. I think it is well to consider at least that possibility.

Second, it recognizes that in the report of the European committee it is estimated that more than \$2,000,000,000 would be spent in Europe in travel, and that that would be the greatest single contribution to placing Europe on a going basis. That is help which America may extend both in its own interest and in the interest of those countries. The Harriman committee estimated that this help would amount to more than \$3,000,000,000. So I think it may be well to make this gesture, at least, to instruct the Administrator to encourage one of the most productive means of recapturing some portion of our investment. I am sure that as time goes on it will come to be recognized as a very great contributing factor.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Maine [Mr. BREWSTER].

Mr. VANDENBERG. Mr. President, I have no objection to the amendment.

The amendment was agreed to.

Mr. BREWSTER. Mr. President, I ask that at the conclusion of my remarks there be included a statement which I made before the Committee on Foreign Relations; also a more extended statement which I prepared at the suggestion of the Senator from Michigan, Chairman of the committee, but which, through inadvertence, was not incorporated in the record of the hearings.

There being no objection, the statements were ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR BREWSTER TO COMMITTEE ON FOREIGN RELATIONS

I am submitting an amendment which directs the Administrator to facilitate and encourage the promotion of travel by United States citizens to and within the participating countries.

The great importance of the travel factor in the recovery of the participating countries is too little appreciated. The Technical Committee of these nations has calculated that travel by tourists will yield approximately \$2,011,000,000 within the next 4 years. I think that there will be very little disagreement with the opinion that this figure has been very conservatively estimated.

Tourist dollars are the most efficient currency. Eighty-five cents of every dollar spent by an American tourist remains behind since it is spent on services and visits to historic monuments and cultural institutions, which by their very nature cannot be depleted and of which European countries have a great abundance.

One of the chief problems in Europe is the shortage of goods, from which stems a shortage of dollars. Therefore, the encouragement of travel better than any other method, will make it possible for the countries participating in the ECA to increase their stocks of efficient currency without at the same time depleting their stocks of commodities.

The Department of Commerce estimates that on the basis of a national income of approximately \$180,000,000,000, \$645,000,000 will be carried into the western Europe and Mediterranean areas by American tourists annually. This figure is larger than the estimate made by the participating nations.

The Department has based its estimates upon the travel pattern in the years before the war. It does not take into consideration such factors as the GI's interest in returning to visit the friends he made when he was in this area during the war nor the time saving factor which the airplane brings into this situation.

The Bureau of Labor Statistics advises that 86 percent of all persons engaged in American industry enjoy paid vacations. These studies disclose that 56 percent receive 8 days to 2 weeks annually, that only approximately 5 percent are eligible for paid vacations in excess of 2 weeks. With such limited time in which to enjoy a holiday very few of these people could in the past hope to go abroad. Now, however, it is possible for them to board a plane in the afternoon of one day and arrive in London the next morning, giving them virtually their entire holiday overseas. With encouragement and an effort on the part of Government to eliminate travel barriers, the \$2,011,000,000 which the participating countries expect can be expanded into \$4,000,000,000 or more. That is by no means a minor consideration in the problem which we are at this time considering.

Travel should be encouraged because of its social effect.

Charles Lamb wisely said: "Do not introduce me to that man because I could no longer hate him." That comment points up very well the effect of becoming acquainted. Anything we can do to encourage an interchange of visits between our people and the people of the participating nations would be wonderfully effective in laying a sound foundation for future peace and good will on the earth.

FEBRUARY 7, 1948.

HON. ARTHUR H. VANDENBERG,
*Chairman, Senate Foreign Relations
Committee, Washington, D. C.*

MY DEAR SENATOR: Confirming our conversation, I am happy to amplify our discussion for the record of your committee on the significance of travel in the European recovery program.

Very little has been said in the discussions before your committee on this point, although the general report of the Committee of European Economic Cooperation states: "Tourism is one of the invisible exports upon which participating countries will increasingly rely as a means of balancing their accounts with the rest of the world. In this field," says the report, "as in that of trade, the relaxation of restrictions would be of assistance toward the main objective."

The tourist industry in England and on the Continent feels that the CEEC did not go nearly far enough in stressing the significance of travel, because, as they point out, the travel

industry is one of the most important industries in those countries and should be one of the very first to receive recovery aid.

The world today and its member nations, including the United States, are faced with two major and crucial issues: Developing a healthy interlocking economy, and maintaining the peace, the former being the direct objective of the Marshall plan and the latter being the indirect. Encouragement of travel by these nations, and especially by the United States, I am convinced, will contribute toward the attainment of both objectives. Travel by Americans in foreign countries will help deliver to them a continuous diet of dollars, of which there is a dangerous deficiency. It will also establish a mutual appreciation of cultural and scientific contributions, from which will stem a better understanding with the resultant strengthening of ties which makes for continued peace.

If it is true that dollars and mutual understanding will tend to produce a fair solution to the problems of this postwar world, then travel will do much to help bring about that solution. While your committee has freed itself from considering a definite sum of money to be spent, the fact is recognized that whether that sum is going to be five or twenty-five billion dollars, the expenditure of large sums will be necessary. Travel can supply a substantial portion of that sum, thus releasing much of the pressure upon the United States Treasury and taxpayers. Every dollar spent by an American tourist is a dollar saved to the American taxpayer. Furthermore, every dollar spent by our travelers is a dollar spent for insurance on our investment in their recovery and a powerful factor in hastening full rehabilitation.

It is coming to be recognized that the expenditure for travel is the most efficient way to deliver dollars to countries in need of them. Tourists take very little in actual goods out of the countries they visit, leaving a very large percentage of their money behind, most of it spent on services and visits to historical monuments and institutions which by their nature cannot be depleted and of which foreign countries have an abundance. Lord Hacking of the British Travel Association says that 85 percent of the tourist dollar spent in Britain stays there to benefit their general economy.

If it were not for the fact that the participating countries are short of goods, short to the extent that their own immediate needs cannot be satisfied, the problem of acquiring and accumulating dollar reserves would not be so severe. They would merely draw upon their surplus manufactures for export for which they would be paid in dollars. The problem, therefore, is a shortage of goods, from which stems a shortage of efficient currency. Travel better than any other means will make it possible for those countries to increase their dollar stocks without at the same time depleting their already meager stocks of goods.

As chairman of a Subcommittee on Travel holding hearings last spring on a resolution to study means for eliminating or relaxing barriers to foreign travel, strong evidence was introduced showing the necessity for broadening our national perspective and making it easy for our citizens to travel to other countries. Spokesmen from Government, air lines, steamship companies, the Pan American Union, and others urged the importance of the travel industry in international economy. Now the Marshall plan comes along to emphasize the necessity for and the problem of getting dollars into Europe. Travel has always been an important factor in international trade. Before the war Americans took with them hundreds of millions of dollars to foreign countries.

Statistical studies by the Department of Commerce show that approximately \$8,000,000,000 were spent on foreign travel by Americans over the 20-year period 1919-39, an

annual average of \$400,000,000. In a single year, 1929, almost \$700,000,000 was so spent. Our national income for 1929 was \$87,400,000,000.

The special significance of these figures is that they establish foreign travel, an invisible import, as larger than any single imported commodity. The sum spent on travel was almost twice as large as that spent for sugar—the largest import during the 1919–39 period, and considerably more than twice as large as the amount spent for any other items. Travel, therefore, is a vitally important item in our international balance of payments and deserves greater attention than it has had in the past—more particularly because it is the item capable of almost unlimited expansion.

The Secretary of Commerce, testifying on Senate Resolution 111 in June 1947, estimated that on a national income of between \$150,000,000,000 to \$200,000,000,000 the travel item would become \$1,200,000,000 to \$1,600,000,000.

These estimates are admittedly very conservative. They are based on the pattern which existed before the war and do not account for the GI interest in returning to visit friends he made during the war, nor the technological developments in air transportation.

Assuming our national income should double, it is certain that travel expenditures by Americans would more than double for our tourists would purchase many more things overseas, due to shortages at home. Such purchasing has a definite anti-inflationary effect.

I think the time-saving factor which air travel affords will tremendously expand the overseas movement of American tourists. Now a man who has only a 2-week vacation can reach London or Paris overnight and spend his entire holiday in Europe.

At a conference in Brussels during an aerial survey of conditions in Europe last November and December there was every evidence of an awakening on the part of the British, the French, the Swiss, the Norwegians, and the Swedes, to the importance of the tourist dollar. This awakening was also confirmed in discussions with officials of the British Tourist Association. The British, in particular, are extending themselves to provide accommodations for tourists this summer.

Mr. Ernest W. Wimble, General Manager of the British Workers Travel Association, tells me that arrangements will be made this summer to extend the same accommodations to United States tourists as are available to British workers which provide tours to every corner of the British Isles for \$50 a week, including transportation, bed, and board. With the recent devaluation of the franc, France promises to attract many an American this summer.

Transportation, however, seems likely to be a considerable stumbling block to a wholesale tourist movement of Americans to Europe this summer. The facilities of the American merchant marine are far below those available before the war. We have in fact only two first-class vessels plying the North Atlantic capable of carrying important numbers, the U. S. Lines' *America* and the *Washington*. These two boats carry a total of 2,157 passengers on a sailing. The American Export Lines operate a vessel on the North Atlantic which accommodates 504 passengers. Thus, the total capacity on United States merchant marine vessels for North Atlantic crossings is only 2,661 persons a round trip. Assuming 10 crossings during the season, they will care for only 26,610 persons.

Our merchant marine has fallen into a sad state and unless it gets considerable aid may well find itself gradually getting worse. In 1939, 31 American shipping companies operated 127 passenger vessels with gross tonnage of 980,000 capable of accommodating 38,000

passengers. Today only 14 American companies are in operation with 50 passenger vessels of 401,000 gross tons and passenger capacity of 13,703 persons.

The Maritime Commission is planning the operation of 10 vessels of the Army transport type this summer, but their capacity is only 600 persons per ship on a crossing. These boats are operated by agency companies (U. S. Lines to north Europe and American Export Lines to the Mediterranean) under the supervision of the State Department. Cost of round-trip passage to London ranges from \$234 for males who use troop quarters type accommodations to \$350 for women housed in staterooms and dormitories 6–24 in a room.

A survey of the potentials for 1948 indicates that approximately 375,000 persons can be accommodated this year by combined United States- and foreign-flag lines against a demand of 450,000. Many Americans who have the means and the desire to travel to Europe feel that their presence in countries where people are suffering from food and other shortages would only aggravate an already bad situation. The facts, however, in this respect are somewhat anomalous in that the dollars they spend in those countries enable them readily to replace the food and to purchase many other items badly needed to produce the things they in turn can sell. Actually the amount of exchange created by tourists is immense in relation to the significant part of the total food supply they will consume.

Air transport promises a brighter prospect and except for the high rates our scheduled carriers are obliged to charge for an Atlantic crossing under the ICAO agreements, tremendous impetus would be given this year to demand for flights to Europe. Trends have been observed by people in the travel industry indicating that luxury travel will cling to the steamship while the economy minded will go by air.

The statisticians in the Office of Business Economics in the Department of Commerce have broken down the over-all estimates of \$1,200,000,000 to \$1,600,000,000 for foreign travel on a national income of 150 to 200 billion dollars. Taking \$180,000,000,000 as the assumed national income, they estimate \$645,000,000 will be spent in Europe and the Mediterranean.

These calculations again are based on the travel pattern as we knew it before the war, and in my judgment greatly underestimate the volume of tourist traffic, once transportation facilities are adequate. The time-saving factor in air travel and the virtual certainty that rates of fare will be greatly reduced in the near future convince me that we may safely raise the Commerce Department's estimates of tourist travel to Europe and the Mediterranean to at least a billion dollars.

Thus, in the 4-year period which the proponents of the Marshall plan regard as the time required to rehabilitate the 16 participating nations travel potentially could contribute four billion directly into the economies of those nations if the necessary steps are taken to encourage it, i. e., (1) elimination of barriers, (2) development of transport facilities, (3) lowering costs, and (4) full cooperation by the beneficiary nations. And those dollars will immediately reach into the grass roots of the economies of those countries, thus generating greater business confidence there than any other kind of dollar could do. The investment we make, therefore, in their recovery by direct grants and loans will be greatly protected and all will be the happier.

The fundamental thesis of the whole program is to help Europe help itself. Nothing could possibly render greater aid on this basis than to help stimulate a large tourist movement into Europe and the Mediterranean. By encouraging a vigorous tourist movement to the Marshall plan countries we make it

possible for them to earn the dollars they need so desperately, and on a thoroughly self-respecting basis.

To that end, it is to be hoped that the importance of travel will be recognized in all appropriate ways, both in the legislation on, and the administration of, the European recovery program.

Cordially yours,

OWEN BREWSTER,
United States Senator.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. WHERRY. Mr. President, I shall be perfectly willing to yield to any Senator who would like to have the floor at this time for any purpose. Otherwise, this apparently concludes all the amendments which can be considered today. There are about four or five amendments which will be ready for consideration tomorrow. The Senator from Connecticut [Mr. McMAHON] was compelled to be absent today because of the funeral of the Governor of Connecticut. He will be present tomorrow.

One or two amendments are being drafted, having to do with the procurement of commodities for transportation overseas. Those amendments are not yet ready for consideration.

There are three or four amendments involving off-shore purchases and reduction of amounts, which will be ready for consideration tomorrow.

Mr. PEPPER. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. PEPPER. May I address an inquiry to the Senator from Michigan before we take a recess? Will the Senator be good enough to tell me what is the present status of our contribution to the International Children's Relief Fund?

Mr. VANDENBERG. Mr. President, I think the Senator from New Jersey [Mr. SMITH] can respond to that inquiry more accurately than I can, inasmuch as he handled that portion of the legislation.

Mr. SMITH. Mr. President, as I understand, we are still trying to raise our participating share in the \$50,000,000 fund originally contemplated. We are to raise a certain part, and the other nations a certain part.

Mr. PEPPER. I should like to ask two questions: First, what is the total which has been appropriated by all who are to take part in the contribution? Second, how much have we contributed, and how much are we presently committed to contribute?

Mr. SMITH. I cannot give the exact figures, but the total appropriation was \$50,000,000 for this year, as I understand.

Mr. PEPPER. Is that our contribution?

Mr. SMITH. No; that is the entire amount of the International Children's Relief Fund, under the United Nations. Our share was approximately 50 percent, or, roughly, \$25,000,000, of which I think we have contributed about \$15,000,000. We will pay the remainder when the other participating countries have come in. I am speaking from memory, after a conference which I attended a few days ago in an effort to get things straightened out in my own mind.

Mr. PEPPER. Was that for the fiscal year 1948?

Mr. SMITH. That was for the fiscal year. An attempt is now being made to have the legislation continued, but with a figure of \$100,000,000 for the next fiscal year. That is the latest information which I have received. It is not official.

Mr. PEPPER. Does the \$100,000,000 represent the contribution of all countries participating? Is that the total fund?

Mr. SMITH. That is my understanding—on a matching basis.

Mr. PEPPER. Can the Senator tell me what our proportion of the \$100,000,000 will be?

Mr. SMITH. The percentages are the same as they have been in the past. Our share will be approximately 50 percent. I cannot say exactly. I shall be glad to obtain the information for the Senator, because I know those who are dealing with this question. I am simply giving from memory what I have been told recently.

Mr. SALTONSTALL. Mr. President, may I ask the acting majority leader the plans with relation to a Saturday ses-

sion—whether that is a reasonable certainty, or whether it is still in the air?

Mr. WHERRY. It is reasonably certain if it meets with the approval of the Senate. If the pending legislation is not concluded in the night session tomorrow night there will be a Saturday session. Our intention is to go straight through, taking up the amendments and voting them up or down, with the hope of concluding consideration of the bill as soon as possible. If the bill is not concluded on Friday night, as announced earlier in the week, there will be a Saturday session.

We have a very full day planned for tomorrow. Depending upon the debate and the number of amendments which are offered, it is our intention, if it meets with the approval of the Senate, to continue tomorrow and tomorrow night, and Saturday if necessary.

Mr. BALL. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. BALL. I think it might be wise to serve notice on the Senate also that

since we plan to finish with ERP this week, I propose to try to take up Reorganization Plan No. 1 on Monday. I think we can agree on a limitation of debate to about 4 hours, or perhaps less, on that measure.

Mr. WHERRY. My understanding is that an agreement has already been made. A motion to proceed to the consideration of Reorganization Plan No. 1 would be a privileged motion. There was some question as to whether it would be taken up on Monday. I am glad that the Senator has made the announcement.

Mr. BALL. I thank the Senator.

RECESS

Mr. WHERRY. Mr. President, there is no object in keeping the Senate in session any longer today, and I now move that the Senate take a recess until tomorrow at noon.

The motion was agreed to; and (at 6 o'clock and 30 minutes p. m.) the Senate took a recess until tomorrow, Friday, March 12, 1948, at 12 o'clock meridian.

House of Representatives

THURSDAY, MARCH 11, 1948

The House met at 11 o'clock a. m.

Dr. Ewart H. Wyle, First Christian Church, Tyler, Tex., offered the following prayer:

Almighty God, Father of all mankind, we come to Thee because we acknowledge our weakness and our sense of need. The responsibilities which we carry are beyond the strength of human shoulders. But Thou hast a strength sufficient for our every need.

We are Thy children, often confused by the complications of a trying hour, often blinded by our own little desires. Forgive us, we beseech Thee, our many mistakes, both of omission and commission.

Thou hast created heaven and earth. Thou hast made order in a universe so complex that our little minds cannot conceive of its greatness. Thou hast made the mind of man that has achieved incredible things in these days. So often we rely upon these creations of our own hands and forget that Thou hast graciously shared Thyself with us through the medium of great accomplishments.

For those whom the people of this free land have honored with positions of trust, especially the Members of this House of Representatives, we pray this day. Give to them the wisdom and the courage to measure up to their responsibilities to their God and to their fellow men.

Grant us a sense of Thine own greatness and nearness, that from the complex offerings of life we may be big enough to choose the highest and the best.

Make us grateful in deed as well as word for the sacrifices of brave men, who not only conceived this, our Nation, in liberty, but, when called upon, laid down their lives that freedom and justice might live.

Give to us a sense of humbleness as we face our place among the nations. May our leadership be more than that of material possessions and accumulations of power. May we seek to share Thy graciousness to these United States among the peoples of the world. Make us not only statesmen of a mighty nation, but make us statesmen of a kingdom of fraternity and human welfare that shall hasten the day when men shall dwell together in peace and security. Through Jesus Christ our Lord. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

EXTENSION OF REMARKS

Mr. HINSHAW. Mr. Speaker, I ask unanimous consent that in the remarks I hope to make in the Committee of the Whole today I may include certain excerpts and tables.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. TWYMAN asked and was given permission to extend his remarks in the RECORD and include extraneous material.

COMMITTEE ON PUBLIC LANDS

Mr. WELCH. Mr. Speaker, I ask unanimous consent that the Committee on Public Lands be permitted to sit during general debate today.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. WELCH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks and include a speech I made yesterday.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

ESTABLISHMENT OF A FOREIGN-TRADE ZONE AT THE CITY OF SAN FRANCISCO

Mr. WELCH. Mr. Speaker, yesterday Secretary of Commerce Harriman, acting in his capacity as Chairman of the Foreign-Trade Zones Board, formally signed the charter granting to the port of San Francisco a foreign-trade zone. I was present on this great occasion and include the following remarks made by me at this important event which marks another advanced step in our Nation's foreign trade:

Gentlemen, I am glad to be present on this important occasion authorizing the establishment of a foreign-trade zone in the great international seaport city of San Francisco. I have been deeply interested in this matter for many years. I was chairman of the Committee on Foreign Trade Zones in San Francisco prior to coming to Congress 22 years ago, and I introduced one of the first bills in Congress on this subject.

These zones, which are extraterritorial in character, necessitate that the greatest possible care be exercised in their location and management. The act permits the establishment of these zones at or adjacent to ports of entry and places their administration under a Federal board consisting of the Secretaries of Commerce, Treasury, and War, with the Secretary of Commerce as chairman.

I desire at this time to express my appreciation to the Federal Board for making possible a foreign-trade zone in San Francisco, to the board of State harbor commissioners in that city for its splendid cooperation, also to the San Francisco Chamber of Commerce for its untiring efforts, and to other bodies that have assisted in presenting the facts required by the Federal Board which is authorized under the law to issue charters for foreign-trade zones. This is the third zone authorized under the law and the first on the Pacific coast. This zone, like other foreign-trade zones, will be a means of promoting trade and commerce of the United States and will eliminate burdensome, costly

red-tape delays in reexport trade. This zone will be of economic value to the entire Nation. While I have been a firm advocate of foreign-trade zones in this country, I realize that their value will depend largely on a strong American merchant marine. It is our bounden duty to maintain an American merchant marine adequate for national defense and a wholesome peacetime economy.

EXTENSION OF REMARKS

Mr. JONES of Washington asked and was given permission to extend his remarks in the RECORD and include a statement he made yesterday before the Special Senate Committee To Study the Problems of American Small Business regarding the price criteria in licensing exports.

Mr. SMITH of Kansas asked and was given permission to extend his remarks in the RECORD and include an address.

Mrs. BOLTON (at the request of Mr. SMITH of Wisconsin) was given permission to extend her remarks in the RECORD and include a poem.

Mr. SMITH of Wisconsin asked and was given permission to extend his remarks in the RECORD and include an article.

Mr. MACKINNON asked and was given permission to extend his remarks in the RECORD and include a telegram.

Mr. MULTER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include an article appearing in the March 1948 Record of the Association of the Bar of the City of New York. I am informed by the Public Printer that this will exceed two pages of the RECORD and will cost \$248.50, but I ask that it be printed notwithstanding that fact.

The SPEAKER. Without objection, notwithstanding the cost, the extension may be made.

There was no objection.

[The matter referred to appears in the Appendix.]

PERMISSION TO ADDRESS THE HOUSE

Mr. BUFFETT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

TRUMAN-MARSHALL POLICY

Mr. BUFFETT. Mr. Speaker, by unconditional surrender, the United States Government wrecked Germany and Japan. Those nations were ready, willing, and able to bottle up communism, and were strategically located to do so. But the Truman-Marshall policy was not intelligent enough to stop with Axis military defeat. It was to ruthlessly destroy those natural defenses against the

sional investigations? A serious objection to the suggestion of statutory reform is that probably no practical statute can be devised which will reach some of the most serious abuses. As Walter Lippmann observed, these abuses are not to be "solved by an ingenious idea" for to some extent they are a reflection of the "mores of the Nation" (84 *Forum* 129, 132). They are also a reflection of the shortcomings of individual legislators who pervert for publicity's sake, or some like ulterior objective, a procedural device which is not inherently unfair. And yet even if all abuses cannot be reached by a statute, if Congress enacted legislation which sought to cure only a few glaring evils, its action might not only accomplish those specific cures but might by demonstrating its awareness of the necessity of congressional self-restraint have a salutary effect on practices not specifically outlawed. Congressmen, better than most people, know that a statute is more than a sovereign's command enforced by a sanction; it is also an educational force going beyond the letter of the statute book; it sets in motion new trends which form new social patterns.

Looked at in that educational light, a statute might well stipulate as minimum standards for a legislative inquiry that a witness called before a congressional committee of inquiry would have the rights (a) to have counsel present, (b) to file a written statement before the hearing concluded and (c) to have an accurate record kept of his own testimony.

The right of a witness to have counsel present to assist him is almost universal in our system. The only important exception is in grand jury proceedings to which, it should be remembered, only witnesses and not prospective defendants are usually summoned. Secrecy and refusal to admit counsel there have an understandable purpose (Cf. *In re Kittle* (180 Fed. 946, 967, S. D. N. Y.)). But in congressional inquiries a witness should have a lawyer at his elbow not only so that he may whisper to his client claims of privilege but so that he may by his mere presence serve to remind the committee of investigation of the high standards which the legal profession seeks to maintain in all tribunals. All of us who sit in seats of authority know that not the least of the restraints upon us is the unspoken judgment of our peers.

The right of a person to file a brief written statement at the conclusion of his testimony or at the conclusion of testimony of a witness who had commented on him adversely ought also to be recognized. C. K. Allen, the warden of Rhodes House, Oxford, in his little volume on *Democracy and the Individual* has put the point well: "audi alteram partem is a fundamental law of democracy" (p. 67). The filing of a written statement is by now such a customary device in congressional hearings that its use is not only recognized but encouraged by section 133 (e) of the Legislative Reorganization Act of 1946 (60 Stat. 812, 831). Nor is there any danger that a statement filed at the conclusion of the witness' or of another's testimony will in some way hinder a disclosure of evidence—as congressional investigators might fear—give Congress or the public an initially erroneous slant on the topics being inquired into. Indeed, the right to file a statement before a congressional committee at the times I have suggested finds a compelling analogy in the right to make a statement accorded to a defendant in a criminal case even in the eighteenth century when he could not be a witness on his own behalf (9 Holdsworth *History of Law*, 195-196, 229).

A statute or a congressional rule should recognize that the record of a witness' testimony including both questions and

answers should not be edited. The only justification of a written record of a witness' examination is the preservation of a truthful report. The habit of editing testimony in a congressional investigation has been carried over from two situations where editing may perhaps be justified: The editing by a Congressman of his speeches on the floor, and the editing by the head of a department of his offhand remarks before an appropriations or like committee. But such editing should not be permitted where the report covers testimony of witnesses who are compelled under oath to tell the truth, the whole truth and nothing but the truth. And reporters ought not to be asked to break their obligation of fidelity by Congressmen who seek to alter the record to put themselves in a better light than they deserve.

If a statute gave a witness these rights to have counsel present, to file a written statement before the hearing concluded, and to have an accurate record of his testimony, it would go as far as seems to me practical at the present time. There are other possible reforms, however, which seem to me worth mentioning, not because I believe they should be codified now, but because I propose that they should be studied by committees established by this and other bar associations.

One possible reform is that a private person should not be compelled to testify in camera unless the majority of the committee explicitly rules that the public interest requires that the testimony shall be kept secret. Of course, this would not preclude a witness from voluntarily submitting to a secret examination. And in view of the proviso that I have stated it would not preclude a majority of a committee from requiring that the examination be kept secret in cases where on mature reflection it seemed to them warranted.

Another more important reform would be that a witness should not be compelled to testify unless there is present at least one member of the committee who is not doing the principal interrogating. The most serious browbeating of witnesses has generally occurred when there has been no one except the interrogator to whom the witness could appeal. We all are aware of the extent to which an enthusiastic and hostile examiner may go unless he is occasionally reminded by a presiding officer that the witness also has rights. If the examiner before the congressional committee is a lawyer who is not a Member of Congress, it would be sufficient for the witness to have one Member of Congress present to whom he can appeal directly for a restraining ruling. If the principal examiner is himself a Member of Congress, the presence of another Member of Congress would afford some protection to the witness.

In any serious claim of privilege the witness ought to have the right by motion to urge his points before the committee as a whole and get their considered ruling, after listening to argument by the witness' counsel.

A fourth possible reform would be that a person who has been adversely criticized by a witness before the committee should have the right to file with the committee a limited number of written interrogatories which, unless the committee by majority vote otherwise directed, should be answered in writing by the hostile witness. This type of written interrogatory would not delay and confuse, as cross-examination might delay and confuse, the investigation. It would not impose a more onerous burden on the critical witness than he would have to undergo in civil litigation in the courts. And it would give the offended person a reasonable chance to procure relevant evidence to meet the criticism. As a matter of fact, this proposal falls short of what some other

commentators have thought desirable. In his article in the *New Republic* in 1924 Professor Frankfurter wrote that "of course, the essential decencies must be observed, namely, opportunity for cross-examination must be afforded to those who are investigated or to those representing issues under investigation." (38 *New Republic*, 324, 331.) And Senator HATCH has recently (*Christian Science Monitor*, Friday, December 19, 1947, p. 24) proposed that "persons whose reputations are brought into question in any way should be permitted to prepare written questions to develop whatever points may be desired."

A fifth possible reform is that no private person should be compelled to testify unless a majority of the committee approves of the issuance of a subpoena to him. The expenditure of time and money incurred in attending a hearing is always a burden. It is a burden which in appropriate cases must be borne if government is to function at its highest level. But the burden of going to Washington and of having one's affairs exposed to a pitiless blaze of publicity ought not to be imposed on the unwilling unless there is substantial ground for believing that there will be a corresponding benefit. It is difficult for any investigator to judge fairly this issue of relative burden and benefit in an investigation in which he is interested. That is why in ordinary criminal cases the fourth amendment prohibits a search or seizure unless a disinterested official, not himself an investigator, finds there is probable cause. While the letter of that clause of the fourth amendment does not apply to a congressional committee, it would seem in accord with its policy, and in accord with the policy of civil litigation that allows a subpoena to be quashed by a judge, that in congressional investigations subpoenas to private persons should require the vote of a majority of a committee.

Let me restate that in my view none of these five possible reforms of (a) open hearings, (b) presence of a Congressman other than the principal interrogator, (c) motions addressed to the whole committee, (d) filing of interrogatories, and (e) concurrence of a majority of the committee in issuing subpoenas ought to be immediately codified in a statute or congressional rule. In my judgment, they and other similar proposals ought to be considered in the light of the actual workings of congressional committees by committees on congressional investigations to be appointed by bar associations. The mere creation of such bar committees would have a salutary effect in alerting Members of Congress to the abuses of the present system and in mobilizing professional opinion to guide Congress and the public to sensible solutions. In the long run, it might conceivably appear that the use of these watchdogs had obviated the need of erecting boundary marks or fences; and even if that happy consequence did not follow, it is at least possible that it would be sufficient if the bar associations proposed not an iron-clad statutory scheme but a limited statute on interrogatory procedure and what might be called canons of behavior for legislative and like committees of inquiry. If such a pattern of conduct were widely endorsed by the best professional opinion, it might be as effective as judicial decrees and legislative enactments in bringing about fair play. It would create a standard to which a witness might repair. It would be a moral force constantly felt in the Halls of Congress.

Mr. Speaker, the greatest step that this Congress can take in preserving American liberties and American democracy is to give immediate and serious consideration to revising its procedure for the conduct of congressional investigations.

Public Opinion Survey With Reference to the Marshall Plan

EXTENSION OF REMARKS OF

HON. DANIEL A. REED

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Monday, March 1, 1948

Mr. REED of New York. Mr. Speaker, under a unanimous-consent request, I am inserting a very important letter in the Record written by Frank E. Gannett, president of the Gannett Newspapers, with reference not only to his views relating to the Marshall plan and other phases of foreign relief but also the results of a survey made by the Committee for Constitutional Government.

I have great confidence in the views of Mr. Frank Gannett, because I have known him for the past half century. He has had a world-wide experience as an observer of conditions; therefore, his views on foreign relations are of the greatest importance.

It is evident as the sunlight of truth is turned into the dark and devious scheme known as the Marshall plan that it will be resisted by every patriotic person in the country.

Mr. Gannett's letter and the survey, to which I have referred, follow:

THE GANNETT NEWSPAPERS,
Rochester, N. Y., March 5, 1948.

Hon. DANIEL A. REED,
House Office Building,
Washington, D. C.

HONORABLE AND DEAR SIR: Seldom has there been before Congress an issue as important to the future of America as the Marshall plan.

Some eminent persons have discussed the question. We are familiar with the arguments that have been advanced. And I hope you will not be misled by the propaganda that has been let loose upon the Nation.

These facts cannot be overlooked:

1. No amount of money that we may pour into Europe can stop the spread of communism.

2. The large sums that we have poured into Czechoslovakia through UNRRA did not save that country; the government was taken over by a minority—38 percent.

3. We have, according to the President, spent \$15,000,000,000 in Europe. To what advantage?

4. We are now asked to send more money, or war material, or men, to Greece. Will the begging never end? Are we already in World War III in Greece?

5. Five hundred million dollars are now asked for China. I was in China last summer, and became convinced that money cannot save the Chinese Government.

6. Our resources are not limitless. We can raise these staggering sums from only two sources: From additional taxes upon the overburdened taxpayers, or by running the printing press, causing inflation and reducing the value of our dollar.

7. Do you realize what \$1,000,000,000 is? If we printed a dollar every minute of the day and night, it would take 2,000 years to print \$1,000,000,000. To print \$17,000,000,000 would require 33,000 years.

8. Anyone who reads the financial pages today sees alarming, dangerous symptoms and signs of an approaching depression. It is no time to spend—or commit ourselves to spend—billions in Europe, when we face a serious financial problem here at home.

9. With the Russian situation very tense, it is time to put our own house in order, to make America prosperous and strong enough to save itself. Only then can it hope to help the world. We must not weaken ourselves with costly and futile efforts in any direction.

10. Of course, we want to do all we can to relieve hunger and suffering anywhere, but we cannot feed all the world or give all people freedom and liberty. History proves one can't buy democracy or peace.

11. Stalin and Poland ostensibly oppose the Marshall plan; probably because in their devious thinking they know that their opposition will further its adoption, which, in reality, they may favor. Moscow knows that the most dangerous thing for America is to overspend itself into inflation. We will not be very smart if we allow Moscow, by reverse English, to jockey us into a losing position which she would like us to take.

12. Propagandists claim that a majority of Americans favor the Marshall plan. That is not true, when a cross section of the people are given an opportunity to say exactly what kind of aid and how much they have in mind for Europe.

The Committee for Constitutional Government circulated a questionnaire to 50,000 lawyers, 50,000 physicians, and to thousands of the committee's supporters in all of the 48 States. The first 3,017 returns were tabulated and analyzed, and furnish a clue as to the widespread attitude of informed and thoughtful people.

I hope you can take time to read the enclosed enlightening analysis of these opinion returns made by Dr. Willford I. King, economics professor emeritus of New York University and onetime president of the American Statistical Association.

Respectfully,

FRANK E. GANNETT.

HIGH LIGHTS OF OPINION ON THE EUROPEAN RECOVERY PROGRAM AS REFLECTED IN THE ANALYSIS OF NATION-WIDE POLL OF EDUCATED AMERICANS

Nine to 1 against \$17,000,000,000 4-year commitment.

Three to 1 against \$6,800,000,000 in 15 months.

Four to 1 against advances to governments; favor advances mainly or solely to private enterprises.

Ten to 1 in favor of requiring foreign governments to pledge their assets to secure loans.

Twenty to 1 would restrict use of loans and require governments to guarantee loans to their citizens.

Twenty-one to 1 against subsidizing European socialism.

Only 26 to 33 percent believe loans will retard Soviet's westward push.

Seventy-two percent would confine loans to private enterprises.

Seventy-two percent would require repayment in American dollars.

Five out of 8 would confine aid to relieving hunger and distress.

Nine out of 10 would require reduction of Federal spending equivalent to appropriations for foreign aid.

WHAT EDUCATED AMERICANS THINK ABOUT THE MARSHALL PLAN

In January 1948 the Committee for Constitutional Government sent out to many thousands of physicians and lawyers, and to other thousands of its own friends and supporters a questionnaire designed to ascertain their views concerning the Marshall plan for European relief. To date, more than 3,000 people have taken the trouble to fill in answers to some or all of the 19 questions asked. In numerous cases, the answers were so qualified that it was impossible to include them in the tabulation. In many instances, some of the queries were left unanswered. The

numerical analysis of the returns which is presented below necessarily deals solely with those who gave definite, unequivocal answers to the questions as propounded. What is shown by the votes of those people who had clear-cut ideas on the particular queries which they answered? Here are the results:

1. Do you favor giving or lending to or in western European nations, over a 4-year period, some sum such as the \$17,000,000,000 proposed under the Marshall plan? Yes, 263; no, 2,491.

The vote is more than 9 to 1 against any such long-term commitment.

2. Do you favor giving or lending a smaller sum? Yes, 1,323; no, 934.

Fifty-nine percent of those returning definite votes favored giving some relief to Europe, but, as one would naturally expect, the 1,323 persons favoring such a policy had various ideas as to the amounts to be disbursed. The votes of those 480 mentioning specific sum were distributed as follows:

	Votes
Under \$5,000,000,000	205
\$5,000,000,000 to \$9,000,000,000	199
\$10,000,000,000 or over	76
Total	480

The sentiment of the voters is decidedly in favor of keeping the 4-year-aid total below \$10,000,000,000.

3a. Do you think that the commitment should be made for 15 months only and for \$6,800,000,000? Yes, 528; no, 1,664.

The proposal to send to Europe \$6,800,000,000 in 15 months is rejected by more than three-fourths of those having definite views on the subject.

3b. Do you think that the 15 months' commitment should be for—

	Votes
Less than \$2,000,000,000?	88
\$2,000,000,000 to \$3,900,000,000?	230
\$4,000,000,000 or over?	377
Total	695

Of the 1987 voters who expressed definite opinions on the 15 months' commitment, only 695, or 35 percent, favored giving any considerable aid. Of this 35 percent, somewhat more than half favored sending \$4,000,000,000 or more.

4a. If you favor making gifts or loans, do you believe that the money should be advanced to governments? Yes, 431; no, 1,751.

4b. If loans are extended, ought the advances to be made mainly or solely to private enterprise? Yes, 1,578; no, 365.

Those having definite opinions voted 4 to 1 against advancing money to governments, and in favor of confining mainly or solely to private enterprise any loans which may be made.

5. If governments receiving aid have assets such as oil reserves or American securities, should they be required to pledge these for moneys advanced? Yes, 2,387; no, 222.

The vote is more than 10 to 1 for compelling foreign governments possessing valuable governmental assets to secure their loans by pledging these assets. Note that this vote does not necessarily endorse any confiscation of assets owned by private citizens.

6a. Should the money be loaned without strings? Yes, 121; no, 2,441.

6b. Should we as lenders impose restrictions on the use of any money advanced? Yes, 2,493; no, 114.

By a vote of more than 20 to 1, those having definite opinions hold that we should regulate the use of any money lent to Europe. The "no strings" idea receives scanty support indeed.

7. Should money be lent to socialistic governments which by rationing, regimentation, and restrictive measures are producing industrial stagnation and stifling food production? Yes, 121; no, 2,602.

The vote to bar lending money to socialistic governments engaged in regimenting their citizens is more than 21 to 1, a very close approach to unanimity. European governments qualifying for aid under this limitation would be few in number.

8. Should we make loans mainly on the hypothesis that the use of the money will retard or block Russia's advance into western Europe? Yes, 685; no, 1,910.

9. Do you feel that a loan, if made, will actually tend to block the advance of communism? Yes, 805; no, 1,660.

Only 26 percent of those expressing definite views believe that the Marshall plan is likely to retard or stop the advance of the Russian "bear" into western Europe; only 33 percent think that it will tend to block the onward march of communism.

10. Should money be advanced solely to private concerns the legitimate business activities of which are not seriously hampered by government controls? Yes, 1,633; no, 645.

Of those having clear-cut views, 72 percent favor confining monetary advances to private concerns not seriously hampered by governmental controls. This ruling would, of course, bar loans to industries controlled by government.

11. Should we lend only to private concerns which it seems probable will repay the loans when they fall due? Yes, 1,593; no, 656.

12. Should we require each government to participate in or guarantee part of every loan to one of its citizens? Yes, 1,441; no, 705.

Seventy-one percent of those expressing definite views believe that we ought to have at least a reasonable chance of getting our money back. They are not ready to "kiss it good-bye." Two out of three voters believe that we should reinforce this possibility by requiring each foreign government to underwrite at least partially, the loans made to its citizens.

13a. Should we require that all loans be repaid in American dollars? Yes, 1,572; no, 602.

13b. Would payment in the currency of the recipient country be acceptable? Yes, 277; no, 1,203.

Seventy-two percent of the clear-cut votes were cast in favor of requiring that money lent be repaid in American dollars. However, 159 voters out of 2,420, or approximately 1 in 15 believes that payment in goods would constitute a satisfactory settlement. Only one voter in five feels that payment in the currency of the borrowing country should be permissible.

14. Should we supply food and other materials, as emergency gifts, to overcome hunger and distress, and limit our aid to this? Should so limit aid, 1,559. Should not so limit aid, 956.

Five out of eight of those stating definite opinions believe that any aid sent should be confined to relieving hunger and distress.

15. Should it be required that for every dollar appropriated for European aid a dollar reduction in the Federal Government's domestic expenditures be made to forestall inflation and higher taxes? Yes, 2,335. No, 245.

More than nine-tenths of those voters taking definite stands insist that every dollar appropriated for European aid be offset by a dollar reduction in domestic Federal expenditures. Clearly, increased governmental spending is not favored by this group.

On the other hand, they do favor the extension of emergency aid to those people in western Europe who are hungry and cold.

As noted above, of those voting definitely more than 80 percent believed that loans should be made solely to private concerns. Typical comments of those holding this point of view are as follows:

"I think it is essential that all business recovery be handled by private loans to producing concerns or individuals in the vari-

ous countries on a business basis. Of course, meantime, we should observe question No. 14, supplying emergency gifts." (J. S. T.)

"I believe the loans are essential in our own interests, provided they are managed on strictly business principles, controlled by men of proved business experience and integrity. The ideal way would be for the loans to be made by private firms to private firms as far as possible. Governments should be kept out of the picture as much as is practical." (G. H. F.)

Many of those voting feel that any lending done should be by private concerns and not by our Government. Typical expressions of this point of view run as follows:

"Capital financing of European countries, or citizens, should be done by private United States capital and not by the Government." (D. E. C.)

"I would like to have governments encourage loans from private concerns to private concerns without interference. I am also in favor of decreased Federal expenditures." (A. H.)

"The American Government has no right or authority to tax the American people to raise funds to throw away, give away, or to lend to anyone. If foreign governments or foreign corporations wish to borrow, they should borrow from private corporations who can name the terms upon which the loan is made." (C. R. H.)

"I am opposed to Government loans, for they have a tendency to become political and are seldom successful. When England loaned money to our country in its early beginnings, it was to private enterprise and these loans helped build up the country and were fully repaid. I have observed that the English loans are usually by individuals or companies organized for the purpose, and that they continue to be to private enterprise." (C. A. W.)

Many of those making comments believe that we should not give charity, but should only help the Europeans to help themselves. For example:

"No money should be given or loaned except to make their nations self-supporting." (W. F. G.)

"I believe we should have a recovery program and not just a relief program. However, I think its administration should be by a separate agency and every dollar ought to be made to do full duty." (R. E. O.)

"A policy which aims at helping them help themselves should be tried, for perhaps a year, to give them a chance to show their good faith." (A. E. B.)

Other commentators emphasize the importance of careful administration of any funds sent abroad. Thus:

"My idea is to give, since they will probably not pay back anyway, a reasonable amount for the following purposes:

"1. Food and supplies to alleviate suffering to some extent, carefully regulated, so that it will get to the people, instead of the politicians.

"2. Money, material, and machinery direct to associations and business firms, where it is believed that it will help them build up their own economy, and help them help themselves." (D. W. W.)

"Peace cannot be obtained, or communism stopped solely by the use of money or through the activities of governmental bureaus; more depends on the administration of a loan or gift than on the amount in dollars and cents." (B. S. B.)

"The aid should be administered along business lines, not through the executive branch nor the State Department." (A. M. H.)

A widespread opinion is that aid to Europe should be extended strictly on a charitable basis. Examples of this point of view are:

"If the people of any country are, for some reason other than the fact that they do not

want to or will not work, in dire need of help to keep from starving or freezing, then there is every reason why the people of the rest of the world (not only the people of the United States) should aid them by and through private charities, existing or created for that purpose. This charity should not, however, be a continuing thing, supporting the people in idleness, but only on an emergency basis in the same manner as after a major disaster, such as earthquake, fire, or flood, and until such time as they are able to help themselves." (E. L. F.)

"I favor making gifts of food and other materials to foreign governments for the purpose of overcoming hunger and distress. I favor making loans to private enterprises for the purpose of restoring the productive facilities of the country involved and making it self-supporting." (G. M. J.)

"My sympathy goes out to the poor peoples of Europe and Asia. However, short of strictly emergency gifts to alleviate hunger and actual distress, I'm in favor of making all such donations through agencies entirely familiar with needs, and in position to control distribution of the actual gifts." (H. S. G.)

Others believe that, in general, charity breeds mainly future trouble, and that Uncle Sam has neither the right nor the duty to play Santa Claus. Here are some samples of this point of view:

"I am definitely in favor of aiding the destitute and needy, even at risk to ourselves; but I am opposed to the role of Santa Claus to the entire world, with little expectation of surviving ourselves, or at least escaping a greatly reduced standard of living in America. Industrial rehabilitation should be left to the people of Europe." (J. E. M.)

"My previous experience as to giving has been that it does not help recipients, and that it creates an envious, jealous attitude." (E. W. H.)

"I do not believe the United States has any authority under the Constitution to tax Americans to give or lend money to foreign countries, even for charitable purposes. If the United States is to help Europe it should be through the Red Cross and voluntary contributions. Supporting foreign countries is not a function of the United States Government." (M. A. R.)

"I favor democratic government at home first, and, after and when we have satisfactory samples here, then let's try and spread it." (J. W. K.)

The general conclusion must be that the type of European relief plan advocated by those replying to the questionnaire is something radically different from General Marshall's idea of the correct procedure for rehabilitating western Europe and preventing the spread of communism.

WILLFORD I. KING,
Chairman of the Committee for
Constitutional Government.

FEBRUARY 28, 1948.

Inactive Duty Training Pay

SPEECH
OF

HON. B. W. (PAT) KEARNEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, March 9, 1948

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H. R. 3227) to provide for inactive duty training pay for the Organized Reserve Corps, to provide uniform standards for inactive duty training pay for all Reserve components of the armed forces, and for other purposes.

Mr. KEARNEY. Mr. Chairman, recognizing as I do after many years of service with the National Guard the value of this legislation, I heartily endorse the provisions of H. R. 3227. I understand that the bill has received strong endorsement not only from the Organized Reserve but also from the National Guard, veterans' organizations, and others.

The membership of this House knows that a strong reserve is necessary in any military program we set up. I do not have the exact figures on the strength of the Officers' Reserve Corps at the beginning of World War II, but I am of the opinion it is around 100,000. Under the situation as it exists today, the civilian components of our armed forces are the Reserves and the National Guard; and they are the only trained men we have outside of our Regular Establishment. We must encourage young men to join the Reserves, and one of the proper ways to do this is for the Congress to lead the way in the passage of H. R. 3227, which in substance provides inactive duty training pay, so essential to the maintenance of a strong, well-trained Reserve. All we are doing by the passage of this bill is putting the Reserve and Air Force Reserve on the same basis as the National Guard and the Naval Reserve, both of which are on a pay status. While the program will cost money, it is money spent in our Nation's defense.

Rent Control

EXTENSION OF REMARKS

OF

HON. HELEN GAHAGAN DOUGLAS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 4, 1948

Mrs. DOUGLAS. Mr. Speaker, under permission to extend my remarks in the RECORD, I wish to include an editorial from the Crown Hill Citizen, dated February 27, 1948, together with excerpts of letters received by me from my constituents. They follow:

RENT CONTROL

The vast majority of the residents of Crown Hill (over 90 percent) are renters.

On February 19 the National Apartment Owners Association placed a full page advertisement in one of our daily papers trying to sell us the idea of writing our representatives in Congress requesting them to terminate rent control. This advertisement is a gross insult to our intelligence and as such is and should be deeply resented. As to the contents of the advertisement, it has no precedent for misstatements, misrepresentation of purported facts or juggling of statistics. The unmitigated nerve of those who would publish such tripe is only matched by their greed.

As there are two sides to everything, let us examine rent control from both sides. The landlord group are agitating for an end to controls and claiming that they will voluntarily police their own industry and keep rents within reason. That is very, very silly. In the first place, if they are content to have rents kept within reason, they have no quarrel with a law that compels them to do just that. In the second place, who is to determine what is reasonable; and in the third place, without a law they, the landlord group,

have no means to restrain any owner who is not satisfied with a reasonable rental from kicking out his GI tenants today and renting to profiteers and black marketeers at an advance of two, three, or more hundred percent. That is not a guess. It is the record of just what happened in the few hours we were without controls.

The landlord group claim that they are not making a return on their investments. Well, gentlemen, just what return are the ex-GI's making on the investment of 4 years of the best part of their lives devoted to protecting your property? And what about the debt you owe to the widows and children of those who gave their lives to protect your property? Would you kick them out in the street tomorrow because they could not stand to have their rents doubled or trebled? If it were not for these same GI's, you would have no headache over rent control; you would have nothing to rent, as your properties would be occupied by those that they fought and you would be working for them.

Make no mistake about public sentiment and do not, such of you as to whom this applies, let your ruthless greed delude you into thinking you will be permitted to make an unrestrained killing due to the housing shortage while there are any ex-GI's living in converted garages, chicken coops, and dog houses, or that you will be permitted to kick out in the streets such as are lucky enough to have an apartment in order to make way for war profiteers who can afford to pay a 200-percent advance in rent.

EXCERPTS FROM LETTERS ON RENT CONTROL

LOS ANGELES, CALIF., January 27, 1947.

DEAR MRS. DOUGLAS: I am an old woman 73½ years with only \$55-a-month pension. I am a very good manager and can live very comfortably if rents do not go over 15 percent higher. * * * It would be impossible for me to find a new place if I should be evicted, so please do what you can to save all of us old pensioners from being put on the street.

Mrs. KATIE D. COX.

LOS ANGELES, CALIF., July 3, 1947.

DEAR MRS. DOUGLAS: I am writing you in regard to our rents. Since July 1 my rent has been increased from \$18 a month to \$3 a day. * * * Now I beg of you in tears, what can I do? I have lived in this small hotel for 10 years. * * * Now he comes along and hands us a notice to pay \$3 a day or get out. Where can I go? I am 67 years old and alone. What can I do, and all I have is a pension. Please, oh please, help me. I have walked the streets days and night, and I can't find any other shelter. What can I do? I must also eat something. I do feel like jumping out of my window, and there are so many like me.

Mrs. GRACE HOWSON.

LOS ANGELES, CALIF., January 20, 1948.

DEAR MRS. DOUGLAS: A woman I knew—80 years of age—was picked up on the street and taken to the hospital, where she passed away a few days later with a heart attack. She had been tramping the streets 3 weeks looking for a room and would have been evicted in another week. Cannot something be done so that tenants can be protected?

Mrs. GRACE M. LINNEY.

LOS ANGELES, CALIF., February 25, 1948.

DEAR MRS. DOUGLAS: I am living in an apartment house where there are eight other pensioners. One almost blind, but it is wonderful how she does all her own work. * * * Now, Mrs. DOUGLAS, why don't some of those men that don't seem to care to do anything about rent control, this thing that don't seem to bother them, * * * just stop and think these questions over. If I

am without family and money, where would I go? How would I live? We receive \$60 a month, and I am very grateful, but one cannot buy anything outside of bare necessities.

Mrs. MABEL E. HOLLINGSWORTH.

APRIL 24, 1947.

DEAR MRS. DOUGLAS: I am pleading with you not to raise the rent control this and next year. I am a disabled veteran and can't afford a raise in rent.

HARLAND A. MCCLINE.

LOS ANGELES, CALIF., February 27, 1947.

DEAR MRS. DOUGLAS: Here at the University of Southern California we are engaged in a huge petition campaign to have rent controls left at their present level. We feel that it is extremely important to student veterans that rentals do not rise beyond what it is reasonable to pay. If rent controls are lifted or removed it may mean that thousands of veterans will be forced to quit school and seek employment in order to keep a roof over their heads.

JESSE UNRICH,

Student Housing Chairman and
Veterans' Representative, TRO-
VETS, U. S. C.

LOS ANGELES, CALIF., February 16, 1948.

DEAR MRS. DOUGLAS: I am asking you to do something about the rents. * * * My husband is old and we can just about make ends meet the high price of foods. There is nothing left for clothes and shoes. * * * Please help us old folks.

Mrs. ARTHUR HITE.

LOS ANGELES, CALIF., January 18, 1947.

DEAR MRS. DOUGLAS: I am a disabled veteran of World War II. I am receiving rehabilitation under Public Law 16. * * * I am married and have a baby boy. Even a general increase in rents is jeopardy in the cost of living to both myself and many other small people. When rent control went off my rent rose 100 percent. Even if I paid it, I would still be filled with fear that we would be evicted. Abolition of fear is included in the Atlantic Charter. We fought a war against it, but still it exists and in our own United States. And the irony of this whole thing, Representative DOUGLAS, is that the guy who saved these houses, buildings, and stores is the veteran who is homeless.

BERNARD F. COTTER.

LOS ANGELES, CALIF., February 10, 1948.

DEAR MRS. DOUGLAS: I am writing to you because I am frightened that the new rent-control bill will leave us 15 percenters unprotected * * * something I just cannot understand. Why are we to be penalized for something Congress forces us into? I am sure no one signed voluntarily. It was presented to us and we signed. There was no choice in the matter. To many of us the increase was a great burden and, particularly in our case, we had just painted our apartment at our own expense which made our rent \$10 a month higher, right there. Furthermore, Congress allowed the increases to go into effect 8 months before the old rent-control bill actually expired.

This hardly seemed fair but we were willing to accept it in order to safeguard the security of a roof over our heads. My husband is a veteran and we are trying to get back into a normal life again but how is this possible when we are faced with the fear of who knows what if we are not covered also in the new bill?

Mrs. LILLIAN W. FREEDMAN.

LOS ANGELES, CALIF., January 24, 1948.

DEAR MRS. DOUGLAS: I hope you will consider the helplessness of tenants in the approach-

S. 2202

IN THE SENATE OF THE UNITED STATES

MARCH 11 (legislative day, FEBRUARY 2), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. TAFT to the bill (S. 2202) to promote the general welfare, national interest, and foreign policy of the United States through necessary economic and financial assistance to foreign countries which undertake to cooperate with each other in the establishment and maintenance of economic conditions essential to a peaceful and prosperous world, viz:

- 1 On page 25, lines 15 and 16, strike out "\$5,300,000,000"
- 2 and insert in lieu thereof "\$4,000,000,000".

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2D SESSION

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- 1 (4) by making, under rules and regulations to be
- 2 prescribed by the Administrator, guaranties to govern-
- 3 ments in the Western Hemisphere up to 70 per centum
- 4 of the credits any such government may grant to a
- 5 participating country for exports approved by the Ad-
- 6 ministrator, to be shipped prior to July 1, 1949. In

1 connection with such guaranties, the Administrator may
2 agree to advance dollars on account of such guaranties
3 at the time such exports are made, or at any time not
4 more than ten years thereafter. The Administrator shall
5 refuse to procure goods and services outside the con-
6 tinental limits of the United States, if he deems it
7 possible for the country producing such goods and serv-
8 ices to extend credits under the provisions of this para-
9 graph (4).

10 The President shall request other Western Hemi-
11 sphere countries to share in the financing of supplies to
12 the participating countries by extending credits as herein
13 provided.

